

FINANCIAL TIMES



Raytheon to pay \$2.3bn cash for E-Systems
The US defence company known for its Patriot missiles is paying \$2.3bn in an agreed cash deal for Dallas-based E-Systems, which makes reconnaissance and surveillance systems. "We don't see any synergies as a direct result of this merger," Raytheon said. "The customers and markets are different and there is virtually no business overlap."

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World Business Newspaper TUESDAY APRIL 4 1995 D8523A

Raytheon to pay \$2.3bn cash for E-Systems

The US defence company known for its Patriot missiles is paying \$2.3bn in an agreed cash deal for Dallas-based E-Systems, which makes reconnaissance and surveillance systems. "We don't see any synergies as a direct result of this merger," Raytheon said. "The customers and markets are different and there is virtually no business overlap."

World trade surges World trade in goods rose by 3 per cent last year, its biggest rise for two decades, the World Trade Organisation said. Page 22

Flagship liner arrives for official namings
P&O's German-built flagship liner Oriana arrived at the southern English port of Southampton where she will be officially named by the Queen on Thursday. Thousands watched as the 69,000 tonne ship berthed to the sound of a band playing on the quay-side. Cruising sets sail to a new image, Page 8

Barundi massacre alleged Burundi troops and Tutsi gunmen massacred an estimated 400 Hutus - mainly women and children - in northeast Burundi last week, diplomats and aid workers said.

Russia rejects US plea Russia rejected US appeals for it to cancel plans to sell nuclear reactors to Iran and threatened to sell complying with a conventional arms treaty if Nato admits east European countries. Page 22

Nuclear clean-up will cost \$230bn The US will have to spend at least \$230bn over the next few decades to clean up the nuclear wastes created by the arms race and future production of nuclear weapons, an Energy Department report said. Page 4

Kurdish rebels still attacking Turkish troops in northern Iraq two weeks after Turkey sent thousands of troops there, a Turkish spokesman acknowledged.

UK opposition members sacked Britain's opposition Labour leader Tony Blair sacked his party's overseas aid spokeswoman Ann Clwyd and foreign affairs spokesman Jim Cousins for travelling to Turkey and northern Iraq without his permission. Their absence meant they missed two important votes in parliament. Page 9

Gas pollution moves Plans for big cuts in emissions of "greenhouse" gases have been put to the UN conference on climate change in Berlin. The proposal comes from 46 members of the G77 group of developing countries. Page 7

Volvo's Swedish motor group is selling its remaining food operations to Norwegian consumer products and chemicals group Orkla for SKr4.25bn (\$676.6m). They are also merging their drinks businesses to create a company in which Volvo will have a 56 per cent stake valued at SKr4.55bn. Page 23

Weto asked to monitor Bihac UN peacekeepers asked for Nato reconnaissance flights around Bihac as Bosnian Serbs continued to shell the "safe area" of north-west Bosnia. Page 2

Gulf Air cancels orders Gulf Air, jointly owned by Bahrain, Qatar, Oman and the United Arab Emirates state of Abu Dhabi, is cancelling an order for six new Boeing 777s after deciding it had enough aircraft.

Explosion suspected in Romanian crash An explosion may have caused last week's Romanian Airbus crash, which killed 60 people, accident investigators said. The French Embassy in Bucharest said it had received an anonymous phone call claiming there was a bomb on board.

Many French still wavering With three weeks to go until France's presidential election, 44 per cent of voters are still undecided, according to an SCP poll published in the daily InfoMatin. Chirac attacks Balladur. Page 2

Lawyer asks jailed Americans An Iraqi lawyer spent eight hours with jailed Americans David Bellard and William Barlow in Baghdad to discuss information for their appeal. They were sentenced last month to eight years in prison for illegally entering Iraq from Kuwait.

STOCK MARKET INDICES
New York: Dow Jones Ind. 4,155.90 (+8.30)
NASDAQ Composite 2,142.1 (-3.01)
Europe and Far East:
CAC 40 1,854.00 (+4.52)
DAX 1,353.12 (+8.23)
FTSE 100 3,143.1 (+6.2)
Nikkei 15,351.2 (-78.05)

EURO LUNCHTIME RATES
Federal Funds 6.25
3-month Euro Libor 5.25
Euro Swap 1.625
Euro Swap 1.75

EURO OTHER RATES
3-month Euro Libor 5.25
Euro Swap 1.625
Euro Swap 1.75

EURO NORTH SEA OIL (Argus)
Brent 15-day (May) \$17.34 (17.25)
Tango close \$17.20

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Intervention by US Fed and Bank of Japan fails to boost currency Dollar hits low despite action

By Philip Gawth in London and George Graham in Washington

Intensive efforts by US and Japanese officials to halt the dollar's recent decline yesterday failed to prevent the currency falling to a record low against the yen.

Repeated bouts of dollar-buying by the Federal Reserve and the Bank of Japan failed to boost the currency.

Efforts to talk up the dollar by Mr Robert Rubin, the US Treasury secretary, and Mr Masayoshi Takemura, the Japanese finance minister, also had negligible impact.

At lunchtime in New York, the dollar was trading at DM1.3737 and ¥86.28, having earlier touched a new low of ¥86.00.

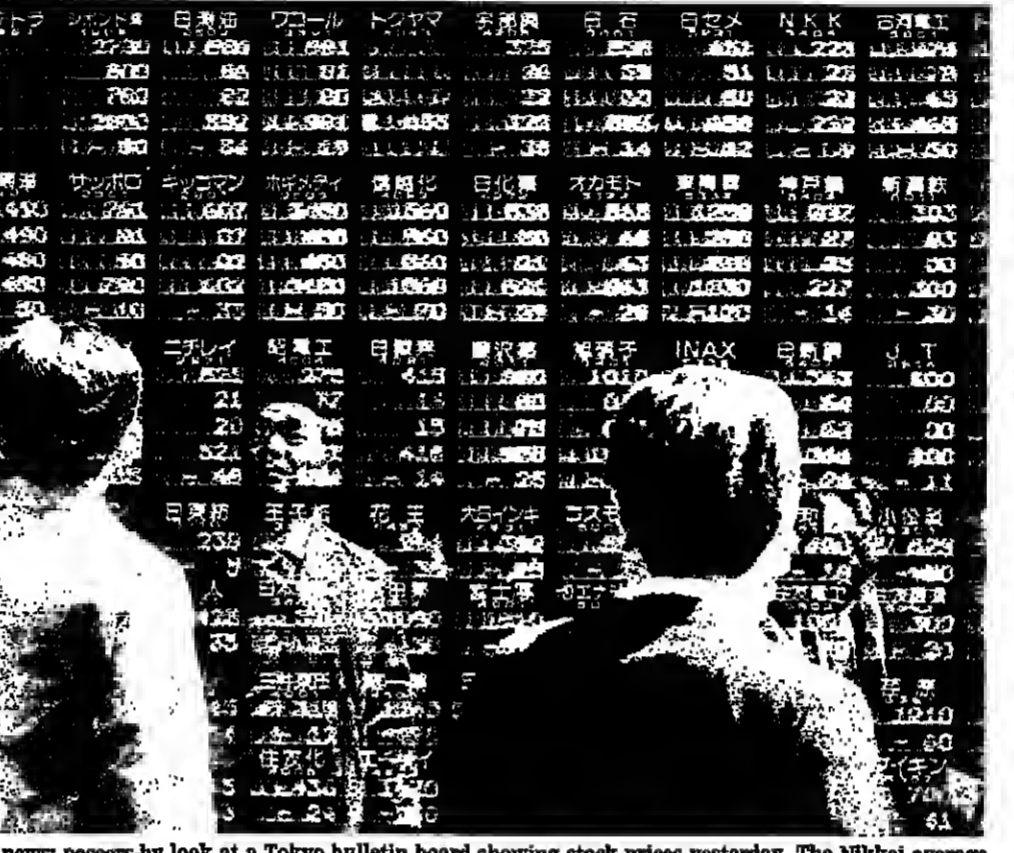
Traders estimated that the Fed and the Bank of Japan together bought a substantial amount of dollars - around \$3bn to \$5bn. There was no evidence of any support for the dollar from European central banks.

Fears that the yen's renewed strength would erode the earnings of Japan's export-dependent manufacturers hit the Tokyo stock market yesterday, with the Nikkei average sliding 78.66 points or 4.7 per cent to 15,351.2, a 32-month low.

The dollar's latest bout of weakness can be traced to disappointment in the market that the US, Japan and Germany failed last week to co-ordinate moves to support the dollar.

The Bundesbank cut its discount rate by half a point on Thursday, but Japan cut only its overnight lending rate and left the more important discount rate unchanged.

Meanwhile, a policy meeting of the Federal Reserve in Washington produced no rate rise. This was taken as a signal that the authorities were not concerned about the level of the dol-



Bad news: passers-by look at a Tokyo bulletin board showing stock prices yesterday. The Nikkei average slid 78.66 or 4.7 per cent to 15,351.2, a 32-month low

lar. In an attempt to change these perceptions, the US administration has stepped up its support for the dollar.

Mr Rubin and Mr Larry Summers, his deputy, have been more resolute in their defence of the dollar over the past week.

And yesterday evening they were joined by President Bill Clinton.

Mr Mike McCurry, White House spokesman, said Mr Clinton had been briefed on the action by the Fed.

"The president... believes the strong dollar is in the interest of the United States of America," he said.

In another comment, Mr Rubin said: "We remain committed to strengthening the fundamentals that are ultimately important to maintaining a strong and stable currency."

However, the statements in favour of a strong dollar lack credibility in the eyes of investors.

This is because of the impression created during the Clinton administration's first months in office that it saw a weaker currency as one way of reducing the US trade deficit.

"It's almost like it has turned into a rubber stamp. The market is becoming a little cynical about the stock comment [about wanting a stronger dollar] from administration officials," said Mr Elliott Dix, senior market analyst at currency dealers Ruesch International.

Since Mr Rubin took over at the Treasury in January from Mr Lloyd Bentsen, traders have been wondering whether the former head of currency trading at the Wall Street firm Goldman Sachs would bring a different style to the management of the dollar.

But dealers believe Mr Rubin has little faith in the administration's ability to push against the market's flow.

Mr Dix said the dollar was most likely to rebound if the Fed raised interest rates again. "We lost an opportunity last week when the Bundesbank was willing to cut, but we weren't willing to raise," he said.

ING appointed both men to the liaison committee. It formed to co-ordinate management of the three Barings businesses. Mr Tuckey became co-chairman of Barings Brothers, the merchant banking arm.

The timing of their resignations was a surprise, since ING declined an offer to resign made by Mr Baring shortly after its takeover a month ago.

ING said Mr Michael Miles, the former joint deputy chairman of

Continued on Page 22
Conspiracy ruled out, Page 8
Observer, Page 23

Baby Bell may breach US telecom barrier

By George Graham in Washington

The first significant breach in the wall between provision of US local and long distance telephone services could be opened as early as next January if a federal judge agrees to an experiment announced yesterday by the Justice Department.

Mrs Anne Bingaman, assistant attorney general for antitrust, said she had asked Judge Harold Greene to allow one of the local telephone plants he created in 1984 to offer long distance service for the first time. Judge Greene's landmark order broke up the old AT&T telephone monopoly and has governed the US telecommu-

nications industry ever since. Ameritech, one of the seven so-called Baby Bells created out of the former AT&T, is limited, by the judge's original judgment, to providing local services in the Midwest region of the US.

But, under a deal signed yesterday, it would be allowed to offer long distance service, including international calls, on an experimental basis in the cities of Chicago, Illinois and Grand Rapids, in Michigan. This would happen once the Justice Department was convinced the company had opened its local telephone monopoly to competitors.

If Judge Greene approves the deal, Ameritech would have to show that it had "unbundled" the

different parts of its local service to allow competitors to hook up to its network. Consumers would be able to keep the same telephone number if they switched to another local telephone supplier.

Some of the Baby Bells have criticised Ameritech for agreeing to a restrictive framework. Others suggest the exercise will be irrelevant if Congress passes a telecommunications bill now being debated in the Senate, which would break down barriers between local and long distance telephone companies, cable television suppliers and utilities.

But Mr Richard Notebaert, Ameritech's chairman and chief executive officer, said his company was simply recognising the

realities of a marketplace that has already evolved. Rulings by local communications commissioners meant Ameritech already faced local competition in Chicago and Grand Rapids, he said.

Mr Robert Allen, chairman of AT&T, the long distance component of the former monopoly,

backed the experiment but said it was not an adequate model for nationwide telecoms reform.

Mr Notebaert said he hoped Ameritech would be in long distance by next January, but Mr Allen said he did not expect the necessary conditions to be met before the end of 1995.

rig. Energia and Yuzhoye will provide the rocket stages from existing designs.

Kvaerner says the use of a floating platform allows rockets to be fired in any direction, so that they can be put into any desired orbit. Currently, a rocket launched in the US has to be fired from Florida if it is to orbit the equator, or from California if it is to orbit the poles.

"We do not have to maintain facilities at two sites," said Mr Pulham, "and, using the platform, we do not have to convert existing facilities to our rockets."

Kvaerner will be responsible for operating the ocean-going launch platform and is negotiating to buy an existing, self-propelled oil drilling platform.

Such sea-launched platforms have been suggested before because of the difficulty of finding suitable land sites on the equator. However, no sea-launched system has come as far as the current consortium.

Boeing teams with Russia to launch satellites by sea

By Karen Fossell in Oslo and Bernard Gray in London

A consortium of Boeing, the US aerospace company, Norwegian shipbuilder Kvaerner, and the Russian and Ukrainian rocket builders RSC-Energia and NPO Yuzhoye, is planning to build a sea-based rocket launch centre for commercial satellites.

Total investment in the project will be between \$100m and \$150m and work has started while some outstanding details are finalised. The venture is called Sea Launch and Boeing estimates the first launch will be completed within two years.

The consortium aims to compete head-on with Ariane, the French space company, for heavy satellite launches. "We will aim to beat Ariane on price," said Mr Elliott Pulham, of Boeing.

Ariane has just under half the \$20m-a-year market for satellites launches. It dominates the launches of heavy payloads of up

to 13,000 lbs. Sea Launch rockets will be launched from a converted self-propelled oil rig, with the operation controlled from a 25,000-tonne command ship. The ship will also be used to assemble the rockets.

Both the rig and the ship will be based in a Californian port and will be moved to offshore sites for lift-off.

To launch the important geostationary communications satellites, which appear to hover over a stationary point on the equator, the ships will sail from California to the equator to gain maximum benefit from the rotation of the earth at that point.

Using the slingshot of the earth at its widest point will increase the size of satellite the rocket booster can carry to the high orbits used by communications satellites.

Boeing will provide the cargo hold and management of the project, with Kvaerner building the ship and converting the oil



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EUROPEAN NEWS DIGEST

Blast fear after Airbus crash

Romanian officials investigating the cause of an air crash last Friday which claimed 60 lives said yesterday that an explosion aboard the Airbus 310 might have caused the crash. The country's worst aviation accident, said separately that evidence suggested the Airbus exploded before it hit the ground. An investigation team, aided by international experts, began decoding the aircraft's "black box" voice recorder on Sunday and is to report officially on the accident's causes by today.

The Brussels-bound jet, operated by Tarom, the Romanian state carrier, crashed minutes after taking off from Bucharest's Otopeni airport in poor weather conditions on Friday morning. There were no survivors. Investigators have not ruled out the possibility that a bomb caused the accident. The French embassy in Bucharest said yesterday it had received a call on Saturday from a French-speaking man claiming he had placed a bomb on the aircraft. In Brussels, police said they were examining a note claiming "the hand of Allah" brought down the plane. Romania has been hit by a spate of bomb boaxes since a bomb went off in the north last month. A Tarom flight from Bucharest to Paris was forced to land in western Romania yesterday after an anonymous caller reported a bomb on board. On Friday the capital's domestic airport was closed, after a bomb scare. *Virginia Marsh, Budapest*

Fish talks 'close to deal'

European Union and Canadian officials resumed talks yesterday in an attempt to reach a deal on fishing rights in contested grounds off Newfoundland. The two sides have been at loggerheads over the allocation of a quota for Greenland halibut, also known as turbot, and monitoring of trawlers operating outside Canada's 200-nautical-mile jurisdiction.

"We are close to a deal and the talks are making progress but we are still not there," an EU official said. A Canadian official said "broad agreement" had been reached on the important issues. "For Canada this has been conservation and the necessary enforcement measures."

The most contentious issues have been allocation of a 27,000 quota set by the Northwest Atlantic Fisheries Organisation, use of inspectors on all fishing vessels and Canada's right to police fishing in waters outside its jurisdiction. The EU official said the two sides were close to agreement on all three issues. But the quota allocation was proving hardest to resolve mainly due to disagreement over how much EU trawlers have already netted this year. *Caroline Southey, Brussels*

Russian HIV test for foreigners

Mr Boris Yeltsin, Russia's president, has approved a law requiring all foreigners who plan to live in Russia for more than three months to produce a certificate proving they are free of HIV, the virus which can lead to AIDS. The law, which will take effect from August 1, has incensed AIDS activists and medical specialists who claim it is discriminatory and counter-productive. But the law is not as stringent as an earlier draft which proposed that even tourists should prove they were HIV free before entering the country. The tourist industry protested that this would be impractical given that 5m foreigners visit Russia a year.

Foreigners found to be HIV-positive will be deported. Russians in certain professions will also be required to undergo tests. According to a local health association, 863 people in Russia were registered as HIV-positive between 1987 and 1994, of whom 111 developed and died of AIDS. *John Thornhill, Moscow*

Crimea silent over decree

Local leaders on the Crimean peninsula yesterday appeared resigned to Ukraine's assertion at the weekend of sovereignty over the autonomous republic. The parliament called President Leonid Kuchma's unilateral move to put the local government under his control "unconstitutional", but the assembly did not call a threatened referendum on independence or declare the Saturday decree void. Mr Kuchma's decree also reinstated Mr Anatoly Franchuk, the previous prime minister. Mr Franchuk is a Kuchma ally who lost a vote of confidence in the regional parliament two weeks ago.

The latest decree, which comes two weeks after Kiev launched a bloodless crackdown by annulling the 1992 constitution and unsavoury the secessionist regional president, aims to quash any lingering hope among Crimea's predominantly Russian population of a reunion with Russia. The Kuchma decree said the new powers were intended "to secure control over all spheres of life in the Crimean republic" until a new, presumably weak, regional constitution was approved, maybe by next month. *Matthew Kaminski, Kiev*

Italian magistrate steps down

Mr Antonio Di Pietro, Italy's best known investigative magistrate who was instrumental in breaking some of the most important corruption scandals, formally left the judicial procession yesterday. With his characteristic sense of theatre, the Milan-based magistrate made the announcement at a conference discussing ways to tackle the problems of corruption in Italy.

He first revealed he was stepping down as a magistrate last December but has since been playing a guessing game with the media and political parties over whether or not the gesture was final. He has consistently denied he will enter politics, the latest denial coming only last week. But his popularity is such that he is being wooed by a number of political parties and every commentator takes it for granted that sooner or later he will chance his arm in the political arena. He has even been talked of as a possible candidate to head Mr Silvio Berlusconi's right-wing alliance. Since January he has been teaching law part-time at a private Brescia university. *Robert Graham, Rome*



US defence secretary William Perry raises his glass in a toast to his Russian counterpart, General Pavel Grachev, in Moscow yesterday.

Mr Nyet tests patience of the west
Bruce Clark and Chrystia Freeland on the thinking behind the Russian leadership's return to a more belligerent foreign policy

Boris Yeltsin's Russia may have accepted western capitalism as the best way to run an economy but in foreign policy the new Russia is bearing a growing resemblance to the old Mr Nyet.

During a visit by Mr William Perry, US secretary of defence, to Moscow yesterday, Russia delivered a rejection of two western overtures in tones more evocative of Soviet diplomacy than the new era in which the Russian prime minister is on friendly terms with the managing director of the International Monetary Fund.

In addition to rebuffing Washington's most recent bid to persuade Russia to cancel a planned sale of nuclear reactors to Iran, Moscow added two new threats to its long-standing opposition to Nato's expansion to include east European countries.

Mr Vladimir Shumeiko, chairman of the upper house of parliament, was quoted by a Russian news agency as telling Mr Perry that friction between Russia and the west over Nato expansion was likely to prevent the legislature from ratifying the Start-2 strategic arms reduction treaty.

Along with this warning came the threat from Gen Pavel Grachev, Russian defence minister, that "counter-measures would be taken" if Nato expanded eastward too quickly. He

specified that the 1990 Conventional Forces in Europe (CFE) treaty, which limits the numbers of troops and weapons in Europe, could become the hostage of Russia's discontent with Nato.

If Nato expanded more swiftly than Moscow would like, Gen Grachev said, "we would not abide by the CFE treaty". He added, without elaborating, that Russia might set up new "military groups" and intensify co-operation with the former Soviet republics.

Even before Gen Grachev's statement, Russian officials had been warning that they saw no prospect of the CFE treaty being implemented in its current form, which calls for deep cuts in tanks, aircraft and artillery by late 1995. They want an increase in the amount of armour Moscow is allowed to keep in north-western and south-western Russia as a minimum price for the treaty continuing to hold force.

Ironically, the Chechen war, which many analysts had initially predicted would harden the west's attitude to Russia, formed part of Gen Grachev's justification for Moscow's tougher new stance. "We need more heavy armour in the Caucasus," he said. "And the Chechen experience proves this again."

A more fundamental Russian argument against the existing CFE treaty is that it was concluded between two blocs - Nato and the Warsaw Pact - of

which the latter has ceased to exist.

The prospect of a new CFE treaty was raised in a Russian paper submitted at the end of last week to a meeting in Prague of top officials from the OSCE Organisation for Security and Co-operation in Europe (OSCE). The Russian document called for talks on "how to adapt and supplement, in conformity with the realities of a new Europe, the existing treaty basis, through the elaboration of a new, non-bloc based, full-scale agreement, the CFE-2."

But behind the Russian calls to revise the CFE arrangements lurks Moscow's more radical effort to supplant Nato, an alliance which Russia realises it is unlikely to penetrate on its own terms, with a potentially more malleable body, the OSCE.

Russian officials are sticking by their idea of upgrading the OSCE, even though OSCE inspectors have reported clear violations of the organisation's rules by Moscow's forces - as well as the rebel side - in the Chechen war.

The Russian document submitted to the Prague meeting touches on this Russian goal with its call for negotiations on "co-ordination and interaction between the OSCE and other European institutions".

In other submissions to the Prague talks, Russian diplomats called for the OSCE to be endowed with greater legal authority and a "executive committee" to take significant decisions.

This amounts to a softer version of the ideas that Russia unsuccessfully floated last year, under which Nato would have been subordinated to the OSCE in a new hierarchy of European security clubs.

The western response to Russia's increasingly muscular foreign policy stance has been oddly flat-footed. Pressed by reporters to state one loss which Russia has sustained in connection with its brutal military intervention in Chechnya, the best Mr Perry could offer was that "we have been unhappy and expressed our unhappiness".

But he insisted that the Clinton administration continued to "believe fundamentally in the importance of engagement" with Russia. Part of that belief rests on the west's fear that, if the Yeltsin government is to be replaced, it will only be by rulers even more hostile towards the west.

Russia's current leaders know this, and they are now beginning to explore how far they can push their western partners while remaining more appealing than the nationalist and communist politicians waiting in the wings.

Italy to act on public works contracts

By Robert Graham in Rome

The government of Mr Lamberto Dini has introduced legislation to streamline the confused and opaque world of Italy's public works contracts, which have been a significant source of corruption.

The net effect of the series of measures would be to bring Italian practices into line with those in other European Union countries, with greater transparency, more competition and more independent control over both costs and quality.

The timing of the move has been forced because temporary

measures introduced by the spiralling Berlusconi government last May lapsed last week. Indeed, the cabinet was obliged to meet in special session on Sunday to prevent a vacuum occurring.

When Italy's corruption scandals first broke in early 1993, public works contracts came in for scrutiny from investigative magistrates. This had two important consequences.

The first was a call for a thorough clean-up of the bidding and contract awarding process to prevent contractors and politicians rigging the out-

come. In many cases it transpired costs were 20 per cent above the real price to ensure kick-backs.

The second consequence was a near total freeze on the award of new public works contracts. Government departments and local administrations were afraid to fall foul of the magistrates and awaited new legislation. This was prepared under the Amato and Ciampi governments by the then minister of public works and became known as the Merloni law.

However, one of the first acts by the government of Mr Silvio Berlusconi last May was to suspend the law on the grounds that projects were being held up and job creation was suffering. The move was heavily criticised by the opposition who claimed this would permit corruption to resurface. But last year the value of public works contracts increased 20 per cent to 1.6.000bn (\$9.4bn).

Mr Paolo Baratta, the public works minister, has incorporated a good deal of the Merloni law into one of the 17 articles are borrowed. But unlike the Merloni law, which sought to exclude companies involved in corruption, the

new measures seek to distinguish between corrupt management and the companies themselves. This will ensure a company is not always penalised for the improper activities of management.

One of the main innovations is to prevent companies being involved in both the drawing up of bids and the bidding for contracts. Mr Baratta has also decided to replace the Merloni law's plan for a specially constituted authority to monitor contracts with a more limited committee to watch contracts over Ecu50m (\$8.6m) with a specific emphasis on quality.

France has been at the forefront of moves to impose a stricter regime on European broadcasters to ensure they screen a majority of EU-made programmes, thereby protecting European culture from American imports.

But following a meeting in Bordeaux in February it became clear that most member states opposed a rigid system of quotas.

The Commission, subsequently revised initial proposals which envisaged a phasing out of quotas - currently 51 per cent - over 10 years. However they also proposed scrapping a legal loophole that has allowed certain European channels to ignore the law on quotas - namely that they only apply "wherever practicable".

In addition, Mr Ojeda's proposals offer thematic channels - such as cartoon or specialist movie channels - the opportunity to invest 25 per cent of their production budget in European-made films and programmes, rather than comply with quotas.

Officials from the countries that oppose tightening quotas - the UK, Sweden, the Netherlands, Denmark, Germany, Austria and Luxembourg - said France put off a discussion as it only had the support of Belgium, Greece, Ireland and the European parliament.

The ministers will meet again at the end of June to discuss the Commission proposal.

Chirac attacks 'power-hungry' Balladur

By John Ridding in Paris

Mr Jacques Chirac, seeking to huffress his lead in the race for the French presidency, yesterday struck out at Mr Edouard Balladur, his Gaullist rival, accusing him of amassing too much power in the economy and in the media.

The mayor of Paris, who has seen a commanding lead narrow in the latest opinion polls for the April/May election, accused the prime minister of creating a "Balladur state". In an interview with France-Inter radio, he claimed there had been "an extraordinary sei-

zure over the past two years of economic and media activities".

The comments were the latest shots in a broadside of criticism between the two Gaullist rivals to succeed President Francois Mitterrand. They reflect Mr Chirac's attempt to portray Mr Balladur as a premier with "monarchic tendencies", compared with his own, more populist, style.

Mr Chirac rejected claims that he would seek to consolidate his own power base through dissolving the national assembly, dominated since 1993 by the centre-right

RPR-UDF coalition. "Dissolution is a means to resolve a political crisis without a solution. A president who dissolves it while he has a majority is abusing his power."

Supporters of Mr Balladur, encouraged by a slight recovery in his poll standing, condemned Mr Chirac for attacking the policies of a government he has supported for two years. But Mr Charles Pasqua, the powerful interior minister and a Balladur ally, sought to calm the row.

Speaking on the campaign trail in Verdun, he warned of the dangers of "exacerbating

antagonism" within the Gaullist movement. His comments are likely to fuel speculation that Mr Pasqua is trying to prevent exclusion from office should Mr Chirac triumph.

Aides to the prime minister claimed that the high level of undecided voters increased the chances of avoiding such an outcome. A survey published yesterday in *L'Informateur*, the daily newspaper, said that up to 44 per cent of voters had still to make up their mind with just three weeks left before polling in the first round of the election.

A poll published on Sunday

said a third of voters were undecided, and showed that Mr Chirac had lost 2.5 percentage points to stand at 24.5 per cent, compared with 20.5 per cent for Mr Balladur.

Mr Lionel Jospin, the Socialist candidate who retains a slight edge over Mr Balladur with 22 per cent in the latest poll, was rebuffed yesterday by the Communist party. Mr Robert Hne, the Communist candidate, ruled out the possibility that party members could serve as ministers in the event of a Socialist victory. Mr Jospin had raised the possibility in a weekend interview.

Culture ministers leave EU TV policy in doubt

By Emma Tucker in Luxembourg

The future of European Union policy on broadcasting remained clouded in uncertainty last night after culture ministers from the 15 member states, ducked a chance to debate sensitive new proposals aimed at tightening restrictions on Europe's television channels.

At a meeting in Luxembourg the ministers brushed over a draft European Commission document that proposes strengthening quotas for the amount of television programmes screened and phasing them out over 10 years. Officially the reason was the document was not ready, but a more likely explanation was that France - chairing the meeting - wanted to postpone the debate until after the French presidential election.

In addition the ministers gave a mixed welcome to the idea of an EU-wide programme to monitor television production. The idea for a guarantee fund stems from the difficulty European film-makers face in raising capital in a high-risk business.

Mr Marceline Oreja, the commissioner responsible for audio-visual affairs, told ministers that a Ecu200m (\$266m) fund, for example, would generate Ecu10m for investment. He was asked by ministers to prepare a written document for consideration, although Germany and the UK expressed opposition to any such plan.

The ministers supported doubling to Ecu400m funding for the Media-3 programme which finances production, training and distribution.

While the official debate on television quotas was postponed, ministers and officials suggested the deadline on how to revise the 1989 "television with frontiers" directive was no nearer to being broken.

French officials argued the debate was going in the wrong way and the reason for delaying a debate until June was to prevent countries taking entrenched positions at an early stage on an "ill-prepared document".

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The ministers will meet again at the end of June to discuss the Commission proposal.

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UN calls for Serb economic policy 'is no more than a survival plan'

By Laura Silber in Belgrade

United Nations peacekeepers yesterday requested NATO reconnaissance flights and called on Bosnian Serbs to halt their shelling of Bihac, the Muslim enclave and "safe area" in north-west Bosnia.

An upgrade in fighting yesterday could signal the start of a Serb counter-offensive following a series of attacks by Bosnian government forces on Serb positions in north-eastern and central Bosnia.

Mr Radovan Karadzic, Bosnian Serb leader, threatened last week to launch a counter-offensive unless the international community warned Bosnian forces to halt their attacks.

Five shells yesterday slammed into Bihac town, with one shell falling 30 metres from a UN-protected area. UN observers and a local UN interpreter were slightly wounded.

About 12 artillery rounds fell in Bihac on Sunday, a UN spokesman in Zagreb said. He added that initial reports indicated the shelling east and south-east of Bihac came from Serb positions.

Mr Alexander Ivankovic, UN spokesman in Sarajevo, said the UN yesterday protested to the Bosnian Serb leadership about the shelling of the town, one of six UN-protected safe areas in Bosnia. He said NATO was asked to conduct reconnaissance flights to locate Serb weapons firing on the safe area.

Bosnian radio reported an upsurge of fighting near a key communications tower at Mt Majevica, in the north-east. The UN also reported firefights between Serb forces and the mostly Muslim Bosnian army north of Travnik and near Bogomoj in central Bosnia.

Fighting continued in the northern part of the Bihac pocket, in a joint offensive against government forces by Serb forces from neighbouring Croatia and Mr Fikret Abdic, a maverick who is believed to be supported by Belgrade.

Temperatures rose yesterday, increasing fears that clashes would escalate. "The snow was so severe last week that presumably both sides have a lot of vehicles, weaponry and infantry in the wrong place," said Mr Michael Williams, a UN spokesman in Zagreb, adding that he feared an surge in fighting over the next few days.

The leaders of both sides have indicated they have used the three-month-old truce, the most successful since conflict erupted three years ago, to prepare for more fighting. The Bosnian government has refused to renew the agreement when it expires on April 30, on the grounds that it would cement Serb military gains. Serb forces currently hold 70 per cent of Bosnia.

While Serbia hopes for the lifting of United Nations-imposed sanctions, independent economists warn that the government is taking no credible measures to prepare the country for re-emergence into the world economy.

Current policies, they say, amount to little more than a sanctions survival plan.

"The government's economic policies are not credible," said Professor Pavle Petrovic, a senior lecturer at the University of Belgrade. "If sanctions were to end tomorrow it would take four years of drastic economic reforms, fiscal discipline and high levels of investment in the form of international loans to get industrial capacity back to 60 per cent of previous levels."

The intensifying conflict in Bosnia and rising tensions in Serb-ruled areas of Croatia have added to a mood of pessimism among pro-reform economists in Belgrade.

Statistics gathered at Belgrade's Institute of Economic Sciences and a private consultancy, the Centre for Economic Studies, show that living standards and economic development have plunged to the levels of the late 1960s.

Just over a quarter of industrial capacity is being used and industrial production has declined by 2 per cent in each of the past four months. More than a third of Serbs now live in poverty compared with 6.2 per cent in 1990. The public has long ago lost confidence in the banking system.

In January 1994, the government of Serbian president Slobodan Milosevic halted one of the world's biggest hyperin-

The exchange rate on the streets soared to one D-Mark for 4.50 dinars in Belgrade. The next day it stabilised below its previous level of 2.5.

Some economists believe that, despite official denials, the government may be preparing a devaluation of the dinar, by as much as 50 per cent. They are convinced that such a move would be aimed at raising more hard currency from the population.

John McKay on warnings of a lack of post-sanctions policy

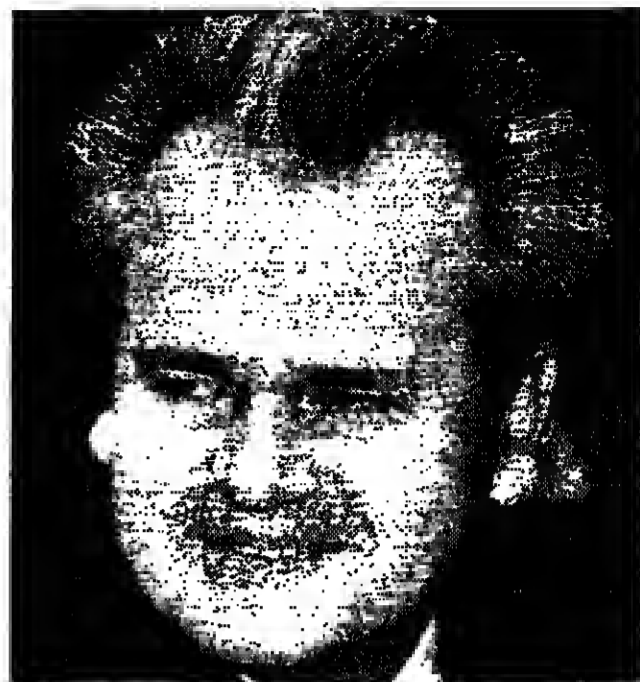
flations. The national mint stopped printing money and a new dinar was introduced, pegged on parity at one D-Mark. This brought temporary relief to the country which was already in perilous economic straits after only symbolic attempts at reform.

Serbian economists believe the respite from hyperinflation will be short-lived. Last week the dinar fell steeply on the black market. Remembering the nightmare of hyperinflation, Serbs were desperate to spend their money. Shops closed early to protect their stocks.

According to one researcher at the Institute of Economic Sciences, Mrs Aleksandra Posarac, the government has spent DM1bn in the past year just to enable it to circumvent sanctions. "This sum covers the paying of bribes, premiums on imports and discounts on exports," she said.

The smuggling of fuel has been so successful that the price of petrol, sold from bottles and cans by the roadside, has fallen to DM1.5 a litre from DM2.5 a litre last December.

One spectre hanging over economic life is the dominance



Milosevic: government accused of losing touch with reality

in many sectors of organised crime - enriched by war-profiteering and sanctions-busting.

The government has done little to arrest the economic decline. Wage freezes and price controls are announced and abandoned almost immediately. Very basic liberalisation plans are drawn up but never followed through and public expenditure remains a state secret.

Mr Stojan Stamenkovic, an economist and former deputy director of ex-Yugoslavia's Federal Planning Bureau, and other pro-market economists believe the government has lost touch with economic reality, or it would be embarking on at least a minimal reform path to reintegrate into the world economy.

Central bank hard currency reserves are down to about \$200m, the economists say, but point out that the bank does have an undisclosed amount of reserves held secretly abroad and in accounts frozen under sanctions.

To avert economic catastrophe and more social upheaval, "dissident" economists believe that if the right policies were put in place they would at least prepare the ground for life after sanctions, and could be viewed as a demonstration of peaceful intent.

They say the minimum monetary and fiscal measures required include: devaluation of the dinar by more than 100 per cent, while at the same time correcting enormous price distortions and imposing tough budget constraints at all levels.

"We were 30 years ahead of the former communist countries of the east bloc and it has all been thrown away," Mr Stamenkovic said. "They [the government] are not paying for this mess. We are, the population."

Second year of strong growth for E Europe

By Frances Williams in Geneva

Central and east European nations are well on course for a second year of sustained economic growth but output is still sliding to Russia and most other former Soviet republics, according to the United Nations Economic Commission for Europe.

The ECE's annual economic survey, published today, says gross domestic product in east Europe outside the former Soviet Union rose by just under 4 per cent last year, the first aggregate increase since the fall of communism in 1989. The recovery from the "transition" slump, which began with Poland in 1992, has now spread to virtually all countries in the region.

The Geneva-based ECE, which groups 55 nations in western and eastern Europe and North America, expects average GDP growth in most east European economies this year to be about 4 per cent. A notable exception is Hungary, where growth may sink close to zero.

By contrast, in Russia and other members of the Commonwealth of Independent States, the outlook remains grim. Russian GDP fell by 15 per cent last year and there were even bigger falls elsewhere in the CIS. A further drop in economic activity - of perhaps 9 per cent for Russia -

is likely this year, the report says.

The ECE notes that in eastern Europe average output fell by more than 20 per cent between 1989 and 1993 and industrial production halved. Even if present growth rates are sustained, most countries in the region will not regain 1989 levels of output until about the turn of the century.

However, one encouraging sign is a pick-up in fixed investment, especially in machinery and equipment. This indicates that essential modernisation and restructuring is under way, especially in the leading group of reformers - Poland, Slovenia, the Czech Republic and Hungary.

Most of this investment is being financed by enterprises using retained profits and not, as was once expected, by foreign investment or bank lending.

Other positive developments in eastern Europe, although not in Russia and the CIS, include a marked slowdown in inflation and a halving of the aggregate current account deficit last year as exports jumped by twice the rise in imports.

More worryingly, the ECE expects unemployment - now 10-18 per cent of the labour force in most east European nations - to remain high, with insufficient jobs being created to absorb redundant workers and new entrants to the labour force.

Turkey defiant on Iraq pull-out

By Judy Dempsey in Bonn

Mr Erdal Inönü, Turkey's foreign minister, yesterday said Ankara would withdraw its troops from northern Iraq only when it had created a "security situation" which would prevent Kurdish militants from attacking Turkish territory. He gave no timetable for any withdrawal.

In a robust defence of Ankara's decision last month to send 25,000 troops into northern Iraq against Kurdish separatist guerrillas, Mr Inönü, speaking in Bonn on the first leg of a diplomatic offensive, said Turkey was simply defending itself.

"Our goal is to take out PKK [Kurdish Workers' Party] bases and to create a 'security situation' in which the PKK cannot attack our country from there. When we accomplish this objective, our soldiers will immediately return to Turkey."

Mr Klaus Kinkel, German foreign minister, who is under pressure from his coalition

partners for taking a tough line last week against Ankara, sought to temper his remarks. Turkey should withdraw "if possible tomorrow", he said, adding that the longer troops remained in Iraq, the greater the strains would be between Bonn and Ankara.

Mr Kinkel also urged Ankara to find a political solution to the Kurdish problem, involving some form of cultural autonomy. But Mr Inönü refused to be drawn on this issue.

He said a political solution could not be found until democracy in Turkey was "more developed". This would take time and patience, he added.

Despite Mr Inönü's reluctance to give a timetable for withdrawal of troops, or any long-term proposals for resolving the Kurdish issue, Mr Kinkel said Germany would still support a customs union treaty between Turkey and the European Union.

However, he added that this had become "significantly more difficult".

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THE WELSH ADVANTAGE.

NEWS: THE AMERICAS

US tax reformers look to Kemp

By Jurek Martin in Washington

The Republican leadership in Congress is to ask Mr Jack Kemp, the former housing minister, to head a new commission on economic growth and radical tax reform.

A joint announcement by Congressman Newt Gingrich, the Speaker, and Senator Robert Dole, the majority leader, was expected late yesterday. High on the commission's agenda, according to a Senate aide, would be the feasibility of introducing a flat rate for income tax in place of the current, complicated tax code.

Mr Kemp, who decided earlier this year not to seek the Republican presidential nomination, has a supply-side reputation antedating most of the current generation of tax reformers. When in Congress, he was a sponsor of the Kemp-Roth bill that was something of a guide for the tax reduction legislation of President Ronald Reagan's first term.

The Gingrich-Dole initiative

comes at the start of a critical week for more immediate Republican tax-cutting plans - specifically the fate of the \$180bn (£166bn) package promised in the Republican Contract with America and due to be voted on in the House of Representatives later this week.

In a series of weekend interviews the Speaker said it was important that the tax package be voted on so as to fulfil the Contract promise, but conceded that compromises might be necessary to satisfy Republicans who want to give greater priority to balancing the federal budget.

He told the Wall Street Journal that he was willing to make tax cuts contingent on passage later this summer of a detailed plan to balance the budget by 2002.

Mr Gingrich has already challenged President Bill Clinton to present his own seven-year budget plan before he leaves for Moscow in the second week of May. He also

acknowledged that the president could veto any budget bill but warned that if he did so he was prepared to retaliate by blocking legislation raising the federal debt ceiling.

There is an outside chance that the tax bill will not come to a floor vote this week because of the objections of some Republicans that its centerpiece, the proposed \$500-per-child tax credit, is too expensive and too biased to benefit the rich. Mr Gingrich admitted "we're still arguing" about the details.

In any event, changes are certain to be made when the bill reaches the Senate, where Senator Robert Packwood, the finance committee chairman, rarely lets a day go by without poking holes in the Contract plan.

The tax credit, he said over the weekend, was "probably the worst way to go to improve our economy". He also found it "hard to believe you could do \$180-190bn in tax cuts and balance the budget".



Jack Kemp: expected to head a new economics commission

Purchase data confirm signs of slowdown

By Michael Prowse in Washington

A sharp drop in the US purchasing managers' index last month and weak spending data for February were yesterday seen as confirming earlier figures pointing to a deceleration of economic growth in the first quarter.

The purchasing index - a widely followed guide to conditions in manufacturing industry - fell to 51.4 per cent against 51.5 per cent in February. Most economists had expected a smaller decline - to about 53.5 per cent. The index, however, remained above the 50 per cent level that marks the threshold for an expanding manufacturing sector.

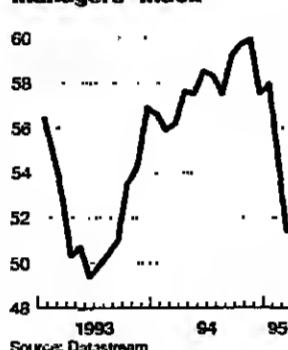
In a separate report the Commerce Department said personal incomes rose 0.5 per cent between January and February, slightly more than economists expected. However, it revised down figures for January to show a gain of 0.7 per cent rather than the 0.9 per cent previously reported.

The report confirmed previous signs of a lull in consumer spending. Personal consumption rose only 0.1 per cent in February, the smallest gain since April last year. After allowing for inflation spending was down 0.1 per cent. However, data for January were revised up to show a gain of 0.7 per cent rather than 0.4 per cent as previously reported.

"The manufacturing sector's growth rate in March continued the declining trend which began in December," said Mr Ralph Kauffman, a senior executive at the purchasing managers' association. "The rates of increase of production, new orders and prices paid by manufacturers were all substantially less in March than in February," he said.

The weak indicators help to explain why the Federal Reserve last week opted not to

US purchasing managers' index



Source: Datastream

raise short-term interest rates, currently 6 per cent, despite the dollar's weakness. Fed officials believe the economy is already decelerating in response to a three percentage point increase in rates in the year to February.

Many economists now predict economic growth at an annual rate of 2.5 per cent or less in the first quarter, against a revised annualised rate of 5.1 in the final period of last year. But economists disagree on whether the slowdown is temporary. Some forecasters, such as JP Morgan, the Manhattan bank, and the Conference Board, a New York business analysis group, predict a rebound in growth in the second half towards the 4 per cent registered last year.

Yesterday's data, however, threw little light on growth prospects. The production indicators are usually lagging rather than leading indicators. The fall in the purchasing managers' index last month was probably a lagged response to weaker consumer and business demand in preceding months. Recent data, such as the weekly Johnson Redbook retail survey, point tentatively to revived consumer spending in March. If spending rebounds, the dip in manufacturing growth could be short-lived.

Nuclear wastes clean-up will cost at least \$230bn

By Nancy Dunne in Washington

The US will have to spend at least \$230bn over the next few decades to clean up the nuclear wastes created by the arms race and future production of nuclear weapons, an Energy Department report released yesterday, said.

If wastes and inefficiencies are not eliminated, costs could soar to \$300bn for the clean-up of industrial facilities used for the research, production and testing of nuclear weapons.

Estimating the Cold War Mortgage is the first of a series of reports due out over the next few months as the Energy Department struggles to measure accurately the task ahead. The agency manages thousands of industrial structures, nuclear reactors, chemical processing buildings, metal machining plants, on 2.3m acres of land.

Most of the clean-up costs were deferred during the Cold War. Now the US will have to devote "substantial resources comparable to the level of

effort expended for nuclear weapons production and research activities."

Even this will not return the land to its natural state. The remaining contamination from hurried wastes will require a cordoning off of a number of sites. Of the 10,500 hazardous substance sites addressed in the report, one-fourth have been fully analysed.

"But major uncertainty stems from a lack of knowledge about what remedies will be effective or considered acceptable to regulators and the public, or what level of human health and environmental protection is sought through these remedies," the report says.

Mr Thomas Grumbly, a senior Energy Department official, said the \$230bn estimate could be stretched over 75 years, including \$149bn to deal with the Cold War legacy, \$11bn for future wastes from nuclear weapons activities, and \$30bn for past and future wastes from other research and commercial activities.

"What we found was that the

future use of the land and facilities will largely determine if the cost is higher or lower. This estimate is a reasonable projection, given current technologies to stabilise but not completely scrub sites to 'green fields' status, not technically feasible in many cases."

Scientists still must grapple with the unknowns posed by the clean-up. There is, for example, "substantial uncertainty" about the long-term effect of capping as a permanent solution to contamination.

The Hanford reservation in the state of Washington, for example, has dozens of buried tanks containing mixtures of radioactive and toxic materials. Scientists are still struggling to stabilise them.

Hanford also has nine closed reactors and decaying fuel rods which threaten to dump radiation into a nearby river.

The Administration has set up a funding target of \$4.8bn a year in constant 1993 dollars until fiscal year 2000. But Congress may reduce this to cope with the budget deficit.

Mexico enables banks to refinance corporate debt

By Leslie Crawford in Mexico City

Mexico yesterday introduced a new financial instrument, Units of Investment (UDIs), to allow domestic banks to refinance more than \$11bn of corporate debts which have fallen into arrears through a four-fold increase in nominal interest rates since devaluation of the peso in December.

Loans restructured in UDIs will index debt principal to inflation and carry real interest rates of up to 12 per cent, against nominal interest charges of more than 90 per cent at present. The reduction in interest charges is aimed at

diminishing the risk of massive loan defaults, which had begun to jeopardise the solvency of commercial banks.

The banking sector was already burdened with an uncomfortable number of bad debts - 7.33 per cent of its total loan portfolio - before the collapse of the Mexican currency plunged the economy into recession. The new instrument will initially allow commercial banks to remove some 76bn pesos (\$11.2bn) of problem loans - 18.4 per cent of total lending to the corporate sector - from their balance sheets.

Commercial banks will set up off-balance trusts to administer the UDI-denominated

loans. Bankers say they plan to extend the scheme to refinance some 32.6bn pesos of mortgages, as they are aware that home owners cannot afford to meet the dramatic rise in nominal interest charges.

In addition to the loan restructuring scheme, the Bank of Mexico, the central bank, is also keeping the banking system afloat with big capital infusions from the government's Bank Savings Protection Fund. Seven financial groups, including Serfin, Mexico's third largest bank, on Friday reported difficulties in meeting the minimum 8 per cent capital adequacy ratio set by the bank.

INTER-AMERICAN DEVELOPMENT BANK

Guarantees likely for private sector loans

By Stephen Fidler in Jerusalem

The Inter-American Development Bank is expected to be given the go-ahead soon to provide guarantees to borrowers from the private sector in Latin America.

The bank, which holds its annual meeting in Jerusalem tomorrow, has rarely used its powers to provide guarantees in its 40-year history, but now its management believes circumstances may warrant a more flexible approach than offered by traditional loan finance. The bank's board will be asked to approve a proposal on guarantees within the next few months.

Ms Nancy Birdsall, the bank's executive vice-president, said the guarantees may

be provided either with or without a counter-guarantee from borrowing country governments. The aim would be to cover political but not commercial risks. For example, it might be appropriate to seek a government's counter-guarantee in case of a change in a government's regulatory policy that would jeopardise viability of a power station project.

For private sector guarantees the aim would be to cover no more than 25 per cent of an operation except in special circumstances, and no more than \$70m (\$43.7m). Capital would be set aside equivalent to the size of the guarantees and private sector guarantees would come out of the \$300m a year the bank is able to provide direct to the private sector.

With a capital increase of \$400m agreed last year, the bank is able to provide \$7m a year in finance.

The capital increase brought the bank's capital to \$100bn, making it the largest of the regional development banks. According to the bank's annual report, published today, the bank's lending fell to \$5.3bn in 1994 from \$6.0bn in 1993. The fall was attributed to the change in bank priorities that accompanied the capital increase. Ms Birdsall said 1995 lending would probably rise to between \$6bn and \$6.5bn.

Mr Charles Sathness, the bank's finance manager, said the bank's borrowing in international capital markets would rise to between \$3bn and \$4bn this year, from \$555m in 1994.

Decline in capital for Latin America

By Stephen Fidler

The flow of capital into Latin America slumped by more than a third from an estimated \$64bn (\$40bn) in 1993 to \$42bn last year, the Inter-American Development Bank says today.

In its annual report, the bank says the main cause of the slump was the sharp decline in flows to Mexico, which fell to \$9bn last year from about \$32bn in 1993.

Venezuela also suffered a large outflow - of \$3.6bn compared to a \$1.8bn inflow in 1993. Other countries experiencing rising inflows: \$36.9bn last year against \$30.6bn in 1993.

The region's gross domestic product grew by 4.1 per cent last year, the highest growth rate since 1986 and compared with 3.4 per cent in 1993. Investment growth at 7.7 per cent exceeded consumption growth of about 2.9 per cent. Growth rates were not enough to lead to a reduction in unemployment, though unemployment increases were not large, except in Venezuela, where the rate rose to 13.5 per cent of the workforce from about 7 per cent.

The region's current account deficit was around \$49bn last year, similar to 1993, the equivalent of about 4 per cent of gross domestic product. However, the deficit exceeded 5 per cent in almost half the countries of the region. The report said Latin America's exports grew by 4.1 per cent in volume and by 9 per cent in US dollar terms. Imports and interest payments on debt also grew.

The bank said Mexico's financial crisis illustrated "the complications for macroeconomic policy generated by large, volatile capital flows". In Mexico, the authorities, faced with a weak economy, "were unwilling to raise interest rates in the amount that would have ended the loss of [foreign exchange] reserves."

Tequila hangover brings gloom to IADB meeting

By Stephen Fidler

The gloomiest gathering in years of Latin American financiers formally gets under way today. The official business at the Inter-American Development Bank's annual meeting, being held in Jerusalem this year, is expected mostly to be uncontroversial. But the government officials, bankers and investors attending the meeting are obsessed with one thing: the financial crisis in Mexico and the fall-out for the rest of the region.

Many still appear dazed by the speed and ferocity of the crisis, which has dramatically slowed capital inflows to the region. Its genesis, many agreed, was unlike the traditional shocks to which Latin American economies have been periodically subjected, when the effects of a fall in commodity prices or a rise in energy prices were easy to see.

Mr Ricardo Hausmann, the chief economist of the IADB, told a conference yesterday that the Mexican crisis crept up on the government in a way "both less obvious and less transparent than the old shocks to the current account". The symptoms of this new brand of crisis were felt through pressure on the exchange rate, higher interest rates and falling international reserves, but it was not clear whether its roots were international or domestic.

Mr Enrique Iglesias, the bank's president, pointed out that it is no longer sufficient to get an International Monetary Fund standby loan and telephone a sympathetic banker in New York to get finance. As Mr David Mulford, chairman of CS First Boston and a former US Treasury official, emphasised, capital is now provided by thousands of individuals making investment decisions. No longer, as in 1982, can a relatively small group of commercial banks be forced through self-interest to cough up support.

Thus, not only may it be unclear when a country is entering crisis, it is also more difficult, once started, to resolve. Asked yesterday to draw some preliminary lessons from the Mexican crisis, undersecretary for international affairs at the US Treasury, Mr Lawrence Summers, was willing to draw a few conclusions.

The first issue he addressed were some clues about spotting a crisis on the horizon. Mr Summers' first suggestion was not to assume that large current account deficits caused largely by the private sector were always benign. If a country had no budget deficit, there might still be cause for worry - although it might be able to react easier if the capital

inflows were heading for investment, easier still if the investment was in the tradeable goods sector.

The next question to examine was, he suggested, on what terms the finance would be made available and how those terms were changing over time. The conclusion was a government might start to worry when it was being forced by investors to shorten maturities or to switch from paper denominated in local currency into that denominated in foreign currency. A switch into debt instruments from equity was another potential warning sign.

Then, it was important not to have too large a current account deficit to finance. If more than 5 per cent of gross domestic product needs to be financed (Mexico's deficit was nearly 8 per cent), only phenomenal economic growth would prevent a debt buildup. The next issue Mr Summers addressed was how countries should respond to such a crisis. The answer, in summary, was conservatively and rapidly. From a policy perspective, it would be better to assume that capital inflows were temporary and that outflows permanent than the other way round. That would mean, among other things, that central banks should think hard before expanding domestic credit to offset the contractionary effects of capital outflows.

Turning to the international response to such a crisis, Mr Summers said he was convinced there was a role for the lender of last resort in the international arena to deal with extreme problems of liquidity.

He said there were genuine concerns about undesirable incentives. "It's right to worry about moral hazard but I don't side with those who believe that the fire department shouldn't exist because it encourages people to smoke in bed."

The international financial institutions also had an important role in encouraging financial and economic transparency, which he defined as "the timely and frequent publication of comprehensive data on national accounts, monetary figures and central bank balance sheets". The tools and means of surveillance of economies by the institutions should be improved.

The questions generated much consensus. Not surprisingly, perhaps at a meeting of its type, there was little appetite expressed for overturning the broad economic model of open trade and market oriented economies that governments have espoused in the region in recent years. However, no consensus could be found on two issues: the right exchange rate regime to avoid such crises and the need for short-term capital controls.

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BARCELONA More than Ever



IADB's Iglesias: Mexico crisis obsessing financiers

1500

WTO chief warns over meddling

By Guy de Jonquieres, Business Editor

Mr Peter Sutherland, outgoing director-general of the World Trade Organisation, yesterday warned members that they would jeopardise the body's integrity and effectiveness if they meddled too much in the conduct of its internal affairs.

"The risk is that member states may attempt to micromanage the organisation, in areas like appointments or the internal allocation of resources," Mr Sutherland told businessmen in Ottawa.

"Such a trend would have dangerous consequences for the integrity and impartiality which are absolutely essential to the WTO's credibility and effectiveness," he said. The secretary-general of the General Agreement on Tariffs and Trade, the WTO's predecessor, had earned a strong reputation on this score, and it would be "tragic" if it were damaged.

Mr Sutherland, who is due to step down at the end of this month, did not spell out any specific instances of excessive intervention by governments in the operation of the WTO since it was established at the start of the year.

However, the US angered many other governments last month when it offered the post of WTO deputy-director general to Mr Kim-Chul-su, who lost to Mr Renato Ruggiero of Italy in the politically charged contest to head the organisation.

Washington's decision, taken without international consulta-

tion, has required the WTO to create an additional deputy position for Mr Kim. African countries have complained that theirs is the only continent not to be represented at the top of the organisation.

Mr Sutherland renewed his campaign yesterday to persuade WTO members to increase the organisation's budget. This has been set at \$700m for the current year, well below Mr Sutherland's requested figure.

The WTO should remain lean and cost-effective, he said. "But members should be wary of confusing leanness with starvation. Government leaders would surely not want the vision they showed in setting up the organisation undermined by short-sightedness at the budgetary level."

He called on members of regional trade groupings to ensure they reinforced the multilateral system by strictly observing WTO rules and launching bold new initiatives in the organisation to eliminate barriers to global trade.

He also buttressed the WTO's claim to play a central role in drafting new rules for international investment, saying the question was when, not whether, the organisation would start work in this area.

Negotiations on investment rules in the Organisation for Economic Co-operation and Development are expected to receive the go-ahead next month. The US and some other industrialised governments believe progress can be achieved faster in the OECD than in the WTO.

Crowded road leads to Vietnam car market

But six foreign vehicle makers want to join those already there, reports Our Hanoi Correspondent

In what may seem like putting the cart before the horse, as many as six foreign car and truck makers are hoping to assemble cars and trucks in Vietnam.

But much of the country's road network remains in tatters, the result of war damage and poor upkeep. In the two main cities, Hanoi and Ho Chi Minh City, taxis fight a constant battle for road space with waves of bicycles and motor cycles.

And four existing foreign vehicle projects, licensed in the early 1990s before Hanoi had formulated a clear policy for the industry, scrape by on modest sales of trucks and four-wheel-drives, mainly to Vietnam-based foreign companies.

Yet Ford and Chrysler of the US, Daimler-Benz of Germany, Toyota and Suzuki of Japan and a consortium of Indonesian and Japanese interests have applied to the government for permission to set up plants, representing a total investment of almost \$600m.

The company has already established a dealership in Ho Chi Minh City, where it sold its first car to a Vietnamese businessman in July last year.

Ultimately, the vehicle makers also hope to be able to export some of what they pro-

duce to other countries, in particular to members of the Association of South-east Asian Nations (Asean), which Vietnam joins in July.

"I think there's also a great opportunity for export here," says Mr Vance Peacock, director of Vietnam operations for Chrysler, which plans to invest \$198m in making Jeep four-wheel-drive vehicles, light trucks and a version of its Neon saloon. "We realise that you can't wait to enter a market until it's fully developed. It's too expensive."

Toyota, which has the larger share of the imported car market and whose Crown model has virtually replaced the Soviet-made Volga as government officials' preferred means of transport, plans to assemble 20,000 cars, minibuses and vans annually. However, like its rivals, Toyota faces tough government terms requiring foreign companies to ensure that 30 per cent of vehicle parts are made locally within six to 10 years.

Industry experts say the policy is clearly designed to weed out companies that are not deemed serious about technology transfer. The policy emerged about six months ago, when it also became clear that Hanoi would not necessarily

limit licences to a strategic balance among two Japanese, one US and one European company, a strategy which the foreign manufacturers had previously taken to be the government's line.

Most foreign manufacturers agree that policy has shifted simply because Vietnamese policy makers have made the effort to learn as much about the industry as possible. The move has won Hanoi a degree of respect among foreign companies. "Three or four years ago they were babes in the woods as regards what could

Vietnam's vehicle industry: now and proposed

Existing manufacturers

Name	Origin of investment	Vehicle type	Investment
JVM Co	Malaysia, Japan	Minibuses	\$50.0m
Mekong	Japan, South Korea	Four-wheel drives, trucks, buses	\$39.5m
Vietnam Motor Corp	Philippines	Four-wheelers, light trucks, buses, minibuses	\$32.2m
Daeewoo Vietnam	South Korea	Sedan cars, four-wheel drives, trucks, buses	\$32.2m

Manufacturers planning ventures

Chrysler Vietnam	US	Light trucks, Jeeps, cars	\$198.0m
Toyota Vietnam	Japan	Cars, vans, minibuses	\$175.0m
Ford Vietnam	US	Cars, four-wheel drives, minibuses, trucks	\$102.0m
Mercedes-Benz Vietnam	Germany	Cars, buses, trucks	\$70.0m
VINDACO	Indonesia, Japan	Trucks	\$32.0m
Suzuki Vietnam	Japan	Trucks, vans	\$20.9m

Source: Vietnam Economic Times

be done in the auto industry, hence the early licences," says Mr Greg Craft, a Hanoi-based consultant who handles Ford's interests in Vietnam. "I don't think they are as driven by political considerations as they were. They are very open and co-operative."

However, the decision on localisation has unsettled the foreign manufacturers. Making local parts is likely to be tough in a country where even the indigenous bicycle industry has difficulty surviving with outmoded technology. The foreign makers say they are therefore working hard on convincing their parts suppliers to follow them to Vietnam.

"Obviously they want to protect the home-grown industry and I think that's justifiable. Are the numbers realistic? That remains to be seen," says Mr Craft.

But perhaps more worrying is a decision by Hanoi in March to reinstate imports of second-hand vehicles, which the MOHI official says is designed to meet current demand. He adds that the government will adjust the policy annually; but without a cast-iron guarantee that second-hand imports will eventually be banned, foreign companies are still nervous. "If a manufacturer starts assembling cars here, it will be a disaster if he's competing with his own models," says one industry expert.

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WORLD TRADE NEWS DIGEST

Ruling on Japan drinks tax urged

Sir Leon Brittan, the EU's chief trade negotiator, yesterday said he would press for a World Trade Organisation ruling on Japanese liquor taxes on the grounds that they discriminate against European spirits.

Japan was instructed by the General Agreement on Tariffs and Trade in 1987 to remove all tax differentials in the spirits sector after GATT ruled that Japan's tax system discriminated against Europeans.

Sir Leon said he would consult member states about taking the case to the WTO. The EU had pressed Japan to make the necessary changes to meet its GATT obligations, he said, but added that "I have concluded with regret that we are unlikely to be able to resolve our differences within a reasonable time horizon."

This would be the first disputes panel settlement sought by the EU under the WTO. A panel is set up only after an initial consultation period has failed to settle a dispute.

Although the Japanese government had accepted the GATT findings, the changes have only been partially implemented, a Commission official said. Whisky and brandy were taxed four to six times more than the local Japanese brew, shochu, while other spirits such as vodka, gin and rum were taxed two to three times higher.

GATT ruled that "like" products such as vodka and shochu should be taxed identically, while all distilled liquors should be taxed similarly so as not to "afford protection to domestic production". European products affected include whisky from Britain and Ireland, Spanish brandy, French cognac and Swedish and Finnish vodka. Caroline Southey, Brussels

Japan car quotas raised

The EU and Japan have agreed a 1.7 per cent increase in Japanese car and light commercial vehicle exports during 1995. The increase is mainly due to the EU's enlargement since the accession of Austria, Finland and Sweden at the beginning of the year. The three new members are included in the new quota of 1.1m vehicles.

Japanese car exports to the EU fell short of the 939,000 quota set in 1994, reaching only 818,000 during the year. On present predictions the Commission does not expect Tokyo to use up the full 1995 quota. The three new members join the EU's list of non-restricted markets. Under a 1991 agreement a transitional period, due to end in 1999, was agreed for five EU member states which had previously restricted Japanese imports.

The quotas have been set on the assumption that demand in the 15 EU member states will rise by 4.3 per cent to 13.3m this year compared with 1994. The figures will be reviewed in September. Caroline Southey, Brussels

Contracts and ventures

American engineering company Brown & Root has won an order worth \$400m-\$500m to build an ethylene plant in Kuwait. The company is due to sign the contract for engineering, procurement and construction of the plant in mid-April with Equate, a joint venture between Kuwait's Petrochemical Industries and America's Union Carbide. The 650,000 tonnes-a-year ethylene plant is due for construction by August 1997. It is part of a petrochemical complex Equate is building south of Kuwait City. America's Fluor Daniel is overall project manager for the estimated \$2.0bn complex, which will be the emirate's first mainstream petrochemicals facility and contain the Gulf's largest polyethylene and ethylene glycol plants. Heather, Kuwait

Ford of the US plans to invest \$50m to expand its car and truck assembly operations in Venezuela over the next three years. The investments aim to increase capacity for exporting vehicles to other countries in the Andean region, notably Colombia and Ecuador. Joseph Moran, Caracas

MAC Alenia Marconi Communications, a British-Italian radio communications joint venture, has signed a \$68m contract with Kominet, the Russian oil company, to supply radio surveillance and control systems and equipment for the management of oil wells, pipelines and crude oil treatment plants in the autonomous Russian republic of Komi.

The contract, which includes a subcontract over three years with OTE, a subsidiary of MAC, as prime contractor, MAC is a joint venture between subsidiaries of Finmeccanica, the Italian state-controlled engineering company, and GEC of the UK. Andrew Hill, Milan

NEWS: ASIA-PACIFIC

Nikkei index's latest fall could block fragile recovery, business lobbies warn government

Japan pressed to bolster stock market

By William Dawkins in Tokyo

Tokyo yesterday came under pressure from business and the political opposition to bolster the stock market and do more to try to turn back the yen's relentless rise.

Business lobbies warned that the fragile recovery could be nipped in the bud by the Nikkei index's latest fall. Yesterday it slid 78.66 points or 4.7 per cent to 15,381.29, a 32-month low, on fears the yen's renewed strength would erode the earnings of Japan's export-dependent manufacturers.

At this level, the Nikkei has fallen 22 per cent since the start of the calendar year, a shock to the balance sheets of banks which carry some of their capital in equities, and to the many industrial companies

which rely on equity sales to pay their earnings.

Mr Shoichiro Toyoda, chairman of the Keidanren economic federation, warned that the economy was "now in a very severe situation".

Call to bring forward public works spending

He called on the government to speed its economic deregulation programme announced last week, which was widely criticised for being ineffective, and to bring forward spending in a ¥600,000bn (¥4.4bn) 10-year public works programme started this year, in an attempt

to stimulate domestic demand.

He repeated calls to the Bank of Japan to cut the official discount rate to take pressure off the yen. Despite the first dollar-buying intervention in Tokyo in six years by the US Federal Reserve, the dollar fell from ¥88.37 at Friday's Tokyo close to ¥86.5 yesterday.

At that level, the yen has appreciated 15 per cent since the start of the year, the maximum Japanese companies can cope with, claimed Mr Tomio Tutsu, vice-minister of international trade and industry.

The Japanese central bank revealed yesterday that its foreign reserves rose by a record \$15.86bn (\$3.7bn) in March, most of which was spent buying the US currency in a futile attempt to reverse its decline. During the month, the yen

appreciated 6 per cent against the dollar, saddling the bank with an enormous foreign exchange loss. By the end of March, the Bank of Japan's reserves stood at \$141.52bn, a world record.

The bank is reluctant to consider a cut in the official discount rate, at which it lends to the banking system, until it sees the impact of the reduction it announced last week in overnight money market rates.

Mr Masaru Hayami, a former Bank of Japan executive director who is now chairman of the Keizai Doyukai executives' association, warned yesterday that the currency crisis was beyond the central bank's control. It was a consequence of Japan's high current account surplus and the US budget deficit, he argued.



Shoichiro Toyoda: urged discount rate cut to ease pressure on yen

Spiralling yen proves a double-edged sword

Japan's neighbours may endure monetary stringency before reaping benefits, writes Peter Montagnon

All other things being equal, most governments in Asia ought to be delighted by the way their currencies have performed this year.

In the aftermath of the dollar's slide against the yen, other Asian currencies have also seen their currencies weaken sharply against the Japanese unit, increasing their export competitiveness and adding to their ability to attract foreign investment.

An obvious beneficiary is South Korea, which competes head-on with Japan in products from semiconductors to cars. It reaps a great boost from the won's depreciation of about 10 per cent against the yen this year.

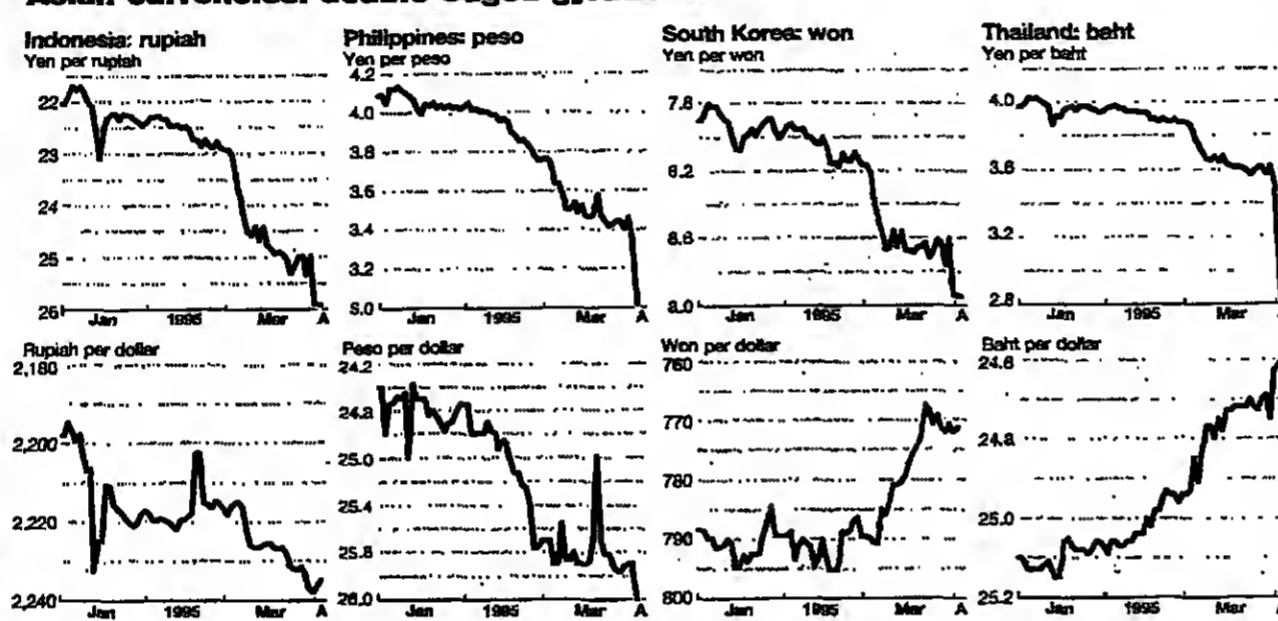
Whereas periods of yen strength have proved a more widespread boon in the past, this time the currency's gyrations are proving double-edged. The turbulent capital flows which provoked the flight from the dollar are also responsible for investor mistrust of emerging financial markets in the wake of the Mexican crisis.

This has added to pressure on many Asian countries, including Thailand, Indonesia and the Philippines, to raise their interest rates, especially since economies around the region are already showing signs of overheating.

Many economists believe the short-term impact of the currency upheaval could be beneficial. Only later will the benefits in the form of growth spurred by higher exports and foreign investment show through.

Two other factors cloud the picture. One is the fear that Japanese foreign investment may grow more slowly in the wake of the Kobe earthquake. The other is the increased cost to many Asian countries of servicing foreign debt denomi-

Asian currencies: double-edged gyrations



nated in yen. "We have seen quite a big rise in Japanese investment in 1994. I'm not sure 1995 will be quite as high. The earthquake has been a big shock and some companies are not that financially healthy at the moment," says Mr Tapan Datta, a senior economist at American Express Bank.

Other economists are more sanguine, believing not only that Japanese companies will need to import more components from the rest of Asia to compensate for supplies disrupted by the earthquake, but that the trend to move production facilities abroad will continue.

"Approvals of foreign direct investment are bouncing back up, especially in Thailand, after several years of downturn," says one Hong Kong-based economist. "We are

expecting that to translate into greater investment this year."

Anecdotal evidence suggests Japanese investment is not only growing, but involves increasingly sophisticated technology.

Toshiba and Honda have both announced large programmes in Thailand in recent months. Hitachi plans to make computer disk drives in the Philippines. It cites the availability of well educated engineers and managers there, as an attraction which that country is now able to exploit.

"The proportion of Japanese company output produced abroad is still lower than that of European or US companies," says Mr Manu Bhaskaran of Crosby Securities in Singapore. "That makes for a growth trend in foreign investment." The majority assumption is

that pressure on Japanese companies to relocate production abroad will become acute, with the yen at its present level. Even countries with more vulnerable economies such as Indonesia and the Philippines should benefit.

According to Crosby's Mr Bhaskaran, investment approvals by Indonesia have been running at an even faster rate this year than last when they totalled \$24.4bn (\$15.2bn).

Only a fraction of that will need to be turned into hard cash to meet the extra servicing requirements on the yen portion of Indonesia's foreign debt, which constitutes some 40 per cent of the \$90bn total.

The size of Asia's yen debt has made some investors nervous. According to Baring Securities it amounts to more than 20 per cent of Indonesia's

gross domestic product. The Philippine ratio is 17 per cent of GDP and that of Thailand 10 per cent.

But most of the debt is government-to-government credit with long maturities and subsidised interest rates so that the annual servicing costs remain manageable despite the yen's appreciation.

A more immediate problem is the tendency for Asian economies to overheat amid worries about inflation and the impact on the balance of payments of surging imports.

Yet the direct impact of the stronger yen on Asian price levels is also quite limited.

There are some notable exceptions: for example, the cost of producing Malaysia's Proton car has risen sharply because of its high level of Japanese inputs. But over the past

year or so, weather-induced rises in food prices have had a far greater impact on national consumer price indices in Asia. These show signs of decelerating, which should help offset the higher cost in local currencies of Japanese imports.

The snag is that, after Mexico, financial markets have become obsessed with picking on weakness.

The Thai baht came under pressure earlier this year as markets began to worry about the extent of the country's current account balance of payments deficit and the degree to which it has been financed with short-term debt. Late last month, the Thai central bank moved to discourage foreign currency borrowing by residents to help cool the economy.

Similarly, Malaysia has had to deflect anxiety about its balance of payments deficit, which widened to 6.6 per cent of GDP last year from 4.1 per cent in 1993.

The Philippines has had to raise interest rates to stem pressure on its currency, which is widely regarded as having appreciated too far last year.

It is hard for these countries to follow Singapore's example and allow their currencies to appreciate against the dollar to curb inflation.

But if the opposite happens and their currencies fall against an already weak dollar, the risk of an inflationary spiral increases. Several countries may thus have to endure a period of monetary stringency before the region feels the beneficial effects of the stronger yen.

"I don't think confidence has been re-established yet," says Mr Datta. "People need to know how high interest rates will have to go."

Aum sect claims it was framed by another group

By Emilio Terasano in Tokyo

A senior official of Aum Shinri Kyo, the Japanese Buddhist sect whose activities have been investigated by police following last month's nerve gas attack on the Tokyo subway, yesterday alleged that the sect had been framed by another religious group.

Mr Fumihiko Joju, spokesman for the sect, accused Soka Gakkai, a large Buddhist sect with strong links to Shinshinto, the main opposition party, of being behind the nerve gas incident which killed 11 people, and the shooting of the head of police, last week.

Soka Gakkai, which has several million members and is generally regarded in Japan as a respectable organisation, promptly denied the allegations as ludicrous. Yesterday's statements followed the discovery in Aum Shinri Kyo's headquarters of more than 650 drums containing chemicals including sodium fluoride, phosphorus trichloride and isopropanol, which authorities said could be used to produce as much as 5.6 tonnes of sarin, the substance believed to have been used in the subway attack.

A concealed chemical processing plant has also been discovered at the headquarters, in Yamakoshi, at the foot of Mount Fuji, in a building which the sect had initially claimed was an altar to Shiva, the Hindu god.

The group's sinister image has been reinforced by claims, which have recently filled the Japanese press from former members saying they had been detained and maltreated. Mr Joju said yesterday that many traditional religious groups resented Aum's success in attracting young and intelligent believers, and were trying to incriminate the group by making it look as though it had committed the recent crimes. It has previously alleged that the US army and Japanese police were trying to eliminate the sect.

The National Police Agency said it had sent two officials to the US to exchange information with the Federal Bureau of Investigation over the sect's activities in America.

This follows last week's dispatch of officials to Russia and Germany to investigate the group's operations in these countries. Two police agencies believed to have been used in the interior ministry in Moscow.

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INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (ECU). The ECU exchange rate shows the number of national currency units per ECU. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES					
Year	Exports	Imports	Current account balance	Effective exchange rate	ECU exchange rate
1985	279.8	-174.2	-104.5	100.0	1.000
1986	271.0	-140.8	-130.3	96.0	1.000
1987	220.2	-131.8	-88.6	86.6	1.000
1988	272.5	-100.2	-172.3	86.6	1.000
1989	320.2	-92.3	-227.9	86.6	1.000
1990	309.0	-79.3	-229.7	86.6	1.000
1991	340.5	-53.5	-287.0	86.6	1.000
1992	345.9	-55.2	-301.1	86.6	1.000
1993	367.9	-57.8	-425.7	86.6	1.000
1994	423.2	-127.6	-295.6	86.6	1.000
1st qtr. 1994	106.7	-29.0	-77.7	86.6	1.000
2nd qtr. 1994	107.9	-29.9	-77.8	86.6	1.000
3rd qtr. 1994	108.5	-33.4	-75.1	86.6	1.000
4th qtr. 1994	111.9	-35.1	-76.8	86.6	1.000
March 1994	37.5	-8.4	-29.1	86.6	1.000
April	37.5	-8.4	-29.1	86.6	1.000
May	35.3	-11.6	-23.7	86.6	1.000
June	36.2	-11.0	-25.2	86.6	1.000
July	36.2	-11.0	-25.2	86.6	1.000
August	36.2	-11.0	-25.2	86.6	1.000
September	36.2	-11.0	-25.2	86.6	1.000
October	36.2	-11.0	-25.2	86.6	1.000
November	36.2	-11.0	-25.2	86.6	1.000
December	36.2	-11.0	-25.2	86.6	1.000
January 1995	36.2	-11.0	-25.2	86.6	1.000
February	36.2	-11.0	-25.2	86.6	1.000

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rate is a period average of Bank of England trade-weighted indices. Data supplied by Datastream and WEFIA from national government and central bank sources.

Daya Bay nuclear plant to be shut down after fault

By Simon Holbarton in Hong Kong

The Daya Bay nuclear power plant in southern China will be shut down indefinitely from today after one of its two reactors failed a safety test last week.

The 441m (23.5bn) power plant, China's first commercial nuclear plant, is 30 miles from Hong Kong and has been the source of much anxiety in the colony since construction began in the late 1980s.

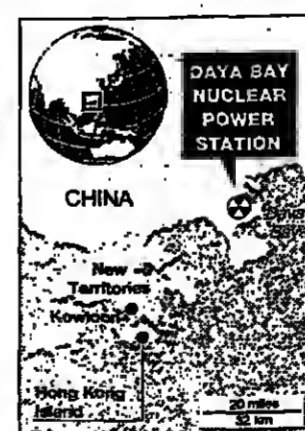
Unit One failed a test concerning its control rods last week. These rods are used to control and stop the fission reaction at the heart of the reactor's operation. The second of the plant's two reactors will be shut down for maintenance and refuelling.

Mr Jacques Pretti, senior technical adviser to Hong Kong Nuclear Investment Co (HKNIC), a 25 per cent shareholder in Daya Bay, was unable to say when the reactor would restart operation.

"It's a nuclear power station and we do not have to take risks," he said. He likened the current situation at Daya Bay to an aircraft grounded for safety reasons. "It's on the ground so it cannot crash."

Mr Pretti, who has managed nuclear power plants in France for Electricite de France, said routine tests in December found seven of the 63 clusters of rods which control the nuclear reaction had failed to meet international standards for the speed of drop into the uranium fuel.

A decision had been taken to replace all the rod clusters with new ones from France.



DAYA BAY NUCLEAR POWER STATION

But when fresh tests were conducted last week, the same problem re-emerged.

"We are expecting a diagnosis from the experts from France. They are trying to analyse the situation and propose a solution," he said.

At the weekend, a group of French engineers from Framatome, the equipment supplier, flew to Daya Bay to help six others already there.

Daya Bay has been plagued by a series of safety problems which have interrupted the reactor's operation.

The shutdown today is the most serious. Daya Bay has always been contentious in Hong Kong.

In 1986 Beijing was presented with a petition carrying more than 1m signatures protesting at the construction of the plant.

Some political analysts have suggested Daya Bay was as responsible as the Tiananmen Square massacre of 1989 for the large-scale emigration Hong Kong saw in the early 1990s.

Greenpeace tracks nuclear ship

A cargo ship carrying reprocessed nuclear waste from France to Japan has sailed through the South Pacific, the environmental group Greenpeace said yesterday. The British-flagged Pacific Pioneer, carrying 14 tonnes of radioactive waste, was located some 600 miles off the French territory of the Marquesas. Greenpeace has been tracking the ship with its vessel Solo since the Pacific Pioneer left Europe last month, aiming to arrive in Japan later this month. The Pioneer's route was not disclosed in spite of requests by several South Pacific and East Asian nations. *AFP, Tokyo*

Solomons logging go-ahead

People living on a forest-covered Pacific island are to be resettled against their wishes so a logging company can clear the land of timber, a Solomon Islands government statement said. Residents of Pavuvu Island, 31 miles from Honiara, the capital, have said they will turn any logging equipment taken to their island. Last month, Mr Nelson Ratu, the anti-logging premier, lost his post to Mr Peter Manetua; last week, logging was given the go-ahead.

A ministry note said the island's Mavin Brothers logging company had been given the right to cut 885,000 cu metres of timber, valued at \$53m. Mavin would be required to resettle the islanders by building new villages, roads and schools. Several thousand people live on Pavuvu. *AFP, Honiara*

Taipei spurns Hanoi protest

Taiwan yesterday rebuffed a Vietnamese protest about its conduct in the disputed Spratly Islands and reasserted its claim to sovereignty there. But it sought to calm tensions by calling off a marine police mission to the islands. Taipei said Vietnam, which has territorial claims in the Spratlys, lodged the protest over structures Taiwan has built on an islet near the Spratly island of Taiping. Vietnam charged that on March 25, Taiwanese troops on Taiping fired on Vietnamese transport ships. Taiwan asserted its sovereignty, reiterating its call for joint development and peaceful solutions to disputes in the archipelago, 700 miles south-west of Taiwan. *AP, Taipei*

Motor vehicle sales in Japan in the year to March rose 5.1 per cent from the previous year to 5,065,374 units, marking the first annual rise in four years, the Japan Automobile Dealers Association said yesterday. In March alone, vehicle sales rose 11.5 per cent from a year earlier, the 10th consecutive monthly rise, to 755,215 units, of which car sales rose 9 per cent to 534,424 units. *AFP, Tokyo*

Indonesia has increased its recommended price of cement Portland type 1 by an average of about 40 per cent. A Trade Ministry official said the rise was intended to give companies an incentive to increase production but keep the price reasonable. *Reuters, Jakarta*

Jordan uneasy as US drags feet on debt 'Greenhouse' gas cuts proposed

Opposition to peace grows as promises of a write-off have yet to win congressional support in Washington, writes Julian Ozanne

Few things could be more humiliating to Jordanians and more damaging to their support of peace with Israel than to see their monarch, cap in hand, in Washington trying to persuade US law makers to honour President Bill Clinton's promise to write off Jordan's debt.

King Hussein's trip to North America, and his meetings last week with Mr Clinton and senior members of the US Congress, appear to have secured support for a write-off of the full amount of Jordan's \$702m (\$438m) debt to Washington - a promise Mr Clinton made in the Jordanian parliament to the king in October last year in return for his courage in making peace with Israel.

The apparent inability of the US administration to get congressional support for a write-off of the full amount and the subsequent tough lobbying campaign forced on Jordan and supported by Israel has taken a toll on Jordanian support for peace.

It has also made many Jordanians feel that the US, which gives Egypt and Israel \$5.1bn annually to support their peace agreement, is not sensitive to Jordan's economic plight and its need to achieve speedy tangible economic benefits from the peace process.

This has been compounded by Israel's foot-dragging in negotiations over trade and aviation agreements, lack of progress in talks between Israel and Palestinians on extending self-rule to the West Bank, and Israel's punitive closures of its borders with the West Bank and Gaza Strip. There is also growing Jordanian hostility to thousands of Israeli tourists who have visited the kingdom since the peace agreement and whom Jordanians accuse of being insensitive to their culture and traditions.

Jordan has high unemployment and up to a quarter of the population is below the poverty line. King Hussein gambled that his peace deal with Israel would unleash a wave of foreign investment and aid which would quickly help redress Jordan's social and economic tensions and win over a sceptical public.

In the wake of the peace agreement he called for a 10-year aid programme worth \$2.5bn and even hinted that

some of the US aid allocated to Israel and Egypt might be diverted to Jordan.

He also asked for a US military package worth \$12bn over 10 years, including three to four squadrons of aircraft and 200 tanks.

The government has also included in its 1995 budget big projects worth JD390m (\$570m) which are linked to the peace process and which it hopes international donors such as the European Union, the European Investment Bank, the World Bank and bilateral donors such as Britain, Japan and others will fund.

Many Jordanians feel the US is not sensitive to their plight and their need for speedy benefits from the peace process

But the failure of the US to write off the full amount of its debt (last year Congress wrote off \$220m of the \$702m total) and the US allocation of a mere \$43m of aid for Jordan in 1995/96 has dented expectations of economic and military support.

Mr Abdul Karim Kabariti, Jordan's foreign minister, said after talks in Washington: "The questions are pending as far as how much peace will contribute to alleviating the daily pressures, the daily job opportunities, lowering the poverty levels in Jordan and improving the standards of living... We need to know that the international community is really forthcoming."

Collapsing support for peace could have serious implications in a country still deeply concerned by security and beset by divisions between ethnic Jordanians and Jordanians of Palestinian origin, between an urban wealthy elite and the poor, and between secular and Islamic forces.

The Islamic Action Front, the largest bloc in parliament, and its left-wing allies are rallying increasingly vocal opposition to the agreement and specifically to any further steps towards normalisation of relations with Israel. Last month, they foiled government attempts to get parliament to repeal outdated legislation that

banned contact or trade with Israel by boycotting the session and denying the 80-seat chamber a quorum.

Twelve professional associations representing 80,000 doctors, lawyers, dentists, engineers and others have rejected normalisation of relations with Israel and announced their own boycott of the Jewish state.

"The danger is that there is a growing politically emotive feeling that Jordan has bolted from the nationalist Arab camp to a reliance on Israel and the US," said Mr Rami Khouri, a political analyst. "There's a feeling of isolation and that we are now part of the US-Israel combine and that is a very uncomfortable feeling for many."

Israel's slow and bureaucratic negotiations with Jordan on implementing the peace agreement have also harmed Jordan's peace camp. For weeks earlier this year Israeli officials argued with Jordanians over the height at which Royal Jordanian passenger flights could fly over Israeli territory. A trade agreement which was supposed to grant Jordanian goods preferential access to Israel has been delayed as Israel argues over

virtually every item and its level of duty.

"Israel is bargaining line by line," said Mr Taher Masri, a member of parliament and former prime minister. "Israel is a huge economy compared to Jordan and it does not have to bargain so hard. They give the impression that they will only do things that serve their economic interests."

Jordanians, up to 70 per cent of whom are of Palestinian origin, are also increasingly alarmed about the lack of progress between Israel and the Palestine Liberation Organisation and the year-long delay in extending Palestinian self-rule to the West Bank. Privately many voice unease about the king receiving awards from Jewish groups and his warm embrace of Israeli politicians.

While the commitment of the king and his government to the peace agreement is strong, without tangible economic benefits and a much stronger commitment of the international community, the peace between the peoples - rather than the governments - of Israel and Jordan is likely to remain cold.



Israeli prime minister Yitzhak Rabin, US President Bill Clinton and Jordan's King Hussein on the White House lawn in Washington last year: hopes raised of a peace dividend for the kingdom have not been fulfilled

By Haig Simonian in Berlin

Representatives of more than 40 developing countries have proposed sharp cuts in emissions of "greenhouse" gases at the United Nations conference on climate change in Berlin.

The move, disclosed yesterday, presents a marked contrast to the otherwise thin achievements made as the conference enters its final week.

The proposal, drafted over the weekend by 46 members of the G77 group of developing countries, represents a "serious basis for negotiations", a UN official said. "It's encouraging to have such a strong proposal relatively early in a conference," he said.

The document calls on states to recognise that existing efforts to cut greenhouse gases are inadequate and seeks a 20 per cent reduction by 2005.

That is much tougher than the agreement to cut emissions to 1990 levels by the year 2000, made by most industrialised countries at the 1992 Rio de Janeiro earth summit. So far, only a handful of states, including the UK and Germany, look set to meet their commitment.

Almost two days after it was drawn up, deeply divided industrialised countries still had no unified answer or proposal of their own for how to prevent the long-term climate change which scientists say may have catastrophic effects.

The new plan will meet heavy opposition from the US, the world's biggest producer of carbon dioxide - the main greenhouse gas - which is hostile to any timetable or targets for reductions. Objections will also come from the Organisation of Petroleum Exporting Countries, which are against any cut in emissions.

However, the document has been backed by influential newly industrialising countries such as China, India, Brazil and Argentina, as well as an alliance of 30 Caribbean and Pacific island states. Moreover, its recognition of the inadequacy of the Rio targets will appeal to the European Union, which has made a similar call.

But industrialised states will object to the developing world's view that "no new commitments" are necessary on its part. One of the main aims of many developed countries has been to persuade developing states to share some responsibility to limit greenhouse gases.

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INTERNATIONAL NEWS DIGEST

Israel postpones airline sell-off

The Israeli government yesterday postponed the privatisation of the national airline, El Al, for six months, in order to clarify the value of the company, which has an unbroken nine-year profit record, but which came out of a 12-year receivership only last February.

Mr Eitan Shafir, the senior official in charge of privatisation at the Treasury, said last night there was a big gap in the evaluations of potential revenue produced by both the government and its independent consultants, depending on the methods employed.

"We have to check the figures again for ourselves," Mr Shafir said. "The new El Al board also wants to check. The privatisation is not something that has to be done in a hurry. The company has no urgent need to raise capital. We also want to take into account changes in El Al's business and in the airline industry."

At present the company is wholly owned by the state. The government plans to sell at least 51 per cent through a flotation in Tel Aviv and New York. As recently as last December, the minister of transport, Mr Yisrael Kessar, set May as a target date for completing the sale. To date at least six local and international groups have expressed an interest in buying the airline. *Eric Silver, Jerusalem*

Investment in Syria grows

Private sector investors in Syria pumped more than \$223bn (\$5.5bn) into 1,251 projects over the past 42 months as the government eased state controls.

Mr Mohammed Surakbi, director of the Supreme Council of Investment, told Reuters investors put most money into the industrial sector, spending \$156.1bn, 67 per cent of overall investments, on more than 800 projects in the food, textile, chemical, engineering and medical sectors.

He said the government had recently allowed the private sector to invest in state-dominated sectors such as the textile, cement, and sugar industries in addition to marine transport, to move towards a free market economy following decades of centralised, socialist-style economic policies.

Economists say private investors welcomed such laws but wanted more incentives. They estimate that Syrians have more than \$100bn in overseas banks and are awaiting a better investment climate to bring it home.

Officials say the Economy Ministry has submitted a study to the Council of Ministers on establishing a stock market, which investors badly need, but it was not clear when it would be approved. *Reuters, Damascus*

Iran wants talks on islands

Iran yesterday called for direct talks with the United Arab Emirates over the sovereignty of three disputed Gulf islands, the Iranian news agency IRNA said.

It quoted Iranian interior minister Ali Mohammad Besharati as calling for "friendly talks between high-ranking officials of Iran and the UAE in order to solve their problems".

"To solve our differences there is no need for international courts and forums," he said, referring to UAE calls to take the dispute over the islands to the International Court of Justice.

Iran, which says its sovereignty over the islands is not negotiable, has called for bilateral talks to clear up any "misunderstandings".

Iran and the UAE have been at loggerheads over Abu Musa and Greater and Lesser Tunb islands since 1982 when the UAE, accusing Iran of occupying its islands, revived its claim to them after Iran tightened security measures at Abu Musa. *Reuters, Nicosia*

NEWS: UK

Probe rules out conspiracy in collapse of Barings

By Jimmy Burns

A preliminary criminal investigation into the Barings collapse has ruled that a conspiracy was not responsible for the bank's catastrophic trading losses.

Instead, senior British and Singaporean investigators believe Mr Nick Leeson, the former Barings trader, was acting alone. They believe that no Barings executive knew of his trading and he was not helped by outsiders.

Investigators believe Mr Leeson

may have been misleading his employers about the true nature of his trading activities from as early as July 1992, four months after he started working in Singapore.

The view has developed as a result of a series of closed meetings held in Singapore between local government investigators and a legal and police team from Britain's Serious Fraud Office.

While in Singapore the SFO team interviewed Mr James Bax and Mr Simon Jones, both formerly directors of Barings Futures (Singapore), the

subsidiary whose losses led to Barings' collapse.

Both men are thought to have repeated their public denials that Mr Leeson reported to them on the trades he carried out on Simex, the Singapore futures exchange. The two men have said Mr Leeson reported to London.

According to investigators Mr Leeson had been building up hidden losses in a special account from the middle of 1992, and not just during last year as was originally suspected after an internal bank audit.

In spite of these losses Barings Futures (Singapore) - the unit of which Mr Leeson was general manager - showed continuing profits between 1992 and 1994, allowing the former trader to earn substantial bonus payments.

Investigators now put July 1992 as the date at which Mr Leeson's hidden trading account, numbered 88888, started to operate. This was the account through which Mr Leeson took out loss-making futures and options positions.

Meanwhile, the view has strengthened

in the SFO that Mr Leeson is likely to face trial in Singapore rather than in the UK over his role in the Barings collapse.

The Singapore authorities have said that Mr Leeson forged two documents to cover losses of \$7.5bn (\$54.54m) sustained on derivatives trading. They are considering widening their charge sheet.

The SFO believes that while its level of knowledge about Barings has "progressed" in the past month, it is still far from gathering enough evidence to press for Mr Leeson's

extradition to the UK. Meanwhile Singapore has been given until May 2 - with a possible extension for another month - to present its full case for the extradition of Mr Leeson, who is imprisoned in Frankfurt.

The inclination of lawyers and police not to pursue charges against any individual other than Mr Leeson does not mean that executives of the bank have been cleared of lax management.

One UK investigator said yesterday: "The management structure at Barings was appalling."

Receivers wary of claims by 'fat cats'

Administrators and receivers in the UK face about \$400m (\$640m) in claims from former employees of collapsed companies, according to confidential figures presented to the government, Jim Kelly writes.

The Society of Practitioners in Insolvency (SPI), which collated the figures, refused to comment on the total but said most claimants would be what it called "fat cat" directors.

In an increasingly public campaign to persuade the government to introduce retrospective legislation to block the claims, the SPI said some directors might get more than \$500,000 each. About 1,000 claimants would be "the major beneficiaries", it said.

In contrast, SPI said that former employees who had earned less than £18,000 a year, or £350 a week, stood to get nothing. Their claims would be largely mitigated by the state benefits they had received. "This is not about giving the working man his dues," said Mr Colin Bird, an SPI official and a partner with Price Waterhouse.

Mr Ian Bradbury, president of SPI, added: "Management failure is to blame for the collapse of many of the businesses involved. The people responsible for those insolvencies might now be rewarded for their incompetence."

SPI collected the figures from Britain's "big six" accountancy firms and Grant Thornton. About 13,000 cases have been reviewed in the last seven days. The \$400m figure includes an estimate of claims faced by other firms. Unofficially it is understood that in about half the cases so far examined any claim would eventually be cut, payments to other creditors. In the other cases, which have been closed, the insolvency profession faces most of the claims.

The problem arises from a misreading of legislation which, after court judgments, means receivers and administrators are liable for some contracts of employees who lost their jobs through insolvency between 1987 and March 1994.

Wimbledon in warning over ticket 'racket'

By John Barrett

Organisers of the world-famous Wimbledon tennis tournament have warned companies contemplating corporate hospitality packages to check the validity of tickets they are offered for this year's event.

The All England Lawn Tennis Club has issued the warning in an attempt to prevent the embarrassment experienced by some blue chip companies at last year's championships, when their guests were refused admission.

Clifford Chance, the leading firm of solicitors, last year found that some of its guests, including Sir Gordon Borrie, were unable to gain entry.

A German businessman paid more than £50,000 for 25 tickets to entertain his most important customers only to find that every ticket was invalid.

Mr Chris Gorringer, Wimbledon's chief executive, said: "The last thing we want is to cause individuals and companies disappointment, embarrassment or financial loss - and this is very simply avoided by checking ticket validity prior to purchase." Tickets are valid only if purchased from the club or its agents and affiliated organisations and clubs, and used by the purchaser. Overseas sales are handled by Keith Prowse Hospitality in Europe and the Sportsworld Group in the US.

The only exceptions are the 2,100 tickets issued daily to holders of 1991-96 Centre Court Debentures. This unofficial but legal market, which provides the only clue about current market values, last year priced a pair of tickets for men's singles finals day at £3,000.

In 1990, in response to damage to the tournament's reputation from the growing number of ticket touts, the club introduced new conditions of sale to prevent individuals from passing on to a third party tickets they had obtained in the public ballot or through other official channels.

This did not prevent unauthorised organisations from persuading individuals to part with tickets to be used in unofficial corporate hospitality packages.

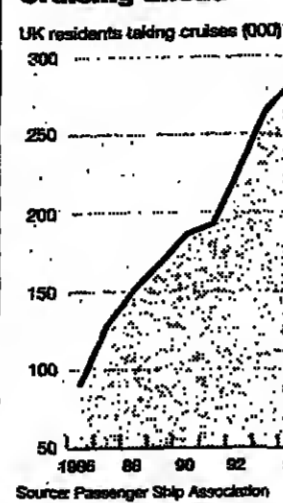
One of the companies which marketed the packages was Corporate Sports (UK), whose impressive list of clients included BT Business Communications, Federal Express (Europe), Mercedes Benz Finance, Renault UK and South African Airways.

Corporate Sports (UK) went into liquidation soon after last year's championships owing £550,000 to about 90 unsecured creditors - not all of the debts relating to Wimbledon.

Anyone with doubts about tickets this year's event - from June 26 to July 9 - should call the club at 44 181 944 1066.

Cruising sets sail towards a new image

Cruising ahead



Source: Passenger Ship Association

The main players



Source: GP Wild (International)

To Britons, the image of cruising is stuck immovably between the two world wars, a world in which blue-raised matrons and retired captains of industry swayed to the gentle rhythms of a palm court orchestra.

P&O, itself one of the grand old names from the shipping past, hopes Thursday's naming of the £200m (\$324m) Oriana, the latest addition to its cruise fleet, by the Queen in Southampton will dispel that image.

There have been no concessions in the field of luxury - the Oriana boasts the highest swimming pool afloat and a waterfall descending the full height of its four-deck atrium - but P&O is anxious to emphasise the high-tech nature of its newest vessel.

The Oriana is the fastest cruise ship built for more than a quarter of a century. An

advanced hull design and stabilisers will provide a smooth journey for the 1,800 passengers and 760 crew relaxing or working on its 14 decks. Amenities include a West End-style theatre with revolving stage, full orchestra pit and individually air-conditioned seats.

With accommodation for 1,760 people - 1,976 if all the additional berths in cabins are put to use - the Oriana will add about 10 per cent to the capacity of the UK cruise market. This has prompted fears that operators could be forced into discounting.

But the UK cruise market has grown by an average 12 per cent to 15 per cent a year in the past decade, slowing to 7 per cent last year, and the majority view is that the Oriana's additional berths will soon be filled. Mr David Dingle, marketing director at P&O



The Oriana arrives at her home port of Southampton yesterday ahead of the naming ceremony

Cruises, believes last year's slowdown was the direct result of a shortage of capacity.

Because the cruise industry craves so many of its customers from among the wealthy and those established in business it has proved better able to weather recessions than other sectors of the tourism industry. Cruise passengers are typically people with savings rather than those struggling with a mortgage.

Industry observers expect most new growth to come from the lower-priced end of the market, fuelled by the entry of Airports, the travel and airline group, and CTO, a Ukrainian-owned cruise line.

The US - the biggest cruise market with 4.6m passengers last year compared with 283,000 in the UK - has already made considerable progress in capturing younger customers.

This is partly because the US does not have a European-style package holiday market of the type, which appeals to young people, or those with young families in Europe.

P&O's US arm, Princess Cruises, and rivals such as Carnival, the world's biggest cruise operator, with its "Las Vegas at sea" concept, appeal to a younger clientele.

Although the Japanese have yet to take to cruising in a big way, it is growing rapidly both in its traditional market, the US, and in the UK and Germany, the two most enthusiastic cruising nations in Europe.

More than 30 cruise liners worth a total of \$7.5bn are on order around the world and the 63,000-tonne Oriana will soon be overtaken by several 100,000-tonners.

The pressure to renew fleets will increase after 1997, when

tougher safety guidelines agreed under the International Maritime Organisation are applied to cruise liners and ferries. These are intended to reduce the danger of fire, which is still the biggest threat to a vessel at sea.

The destruction by fire of the Italian-owned Achille Lauro in the Indian Ocean last December showed the speed of the evacuation meant it was accomplished with minimal loss of life.

Provided the cruise sector can maintain its image of value-for-money luxury, and a solid reputation for safety, it seems set for growth. Even in the US, only 5 per cent to 10 per cent of the population have taken a cruise, according to a NatWest Securities review.

Charles Batchelor

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The State Property Agency invites tender in the coming days for the sale of the 51.52% portfolio of the leading Hungarian tobacco trading firm. The Agency anticipates first of all the bids of professional investors for the privatisation of the company with a registered capital of HUF 1 billion 906 million and assets of the value of 2.3 billion HUF. The Hungarotabak Co. is targeting to satisfy the needs of the Hungarian tobacco market and it offers the full assortment of cigarettes. Its suppliers are almost entirely the Hungarian producers.

The Hungarotabak Co. is, as its legal predecessor, the Tobacco Trading Firm, established in 1949 was, a traditional actor of the Hungarian economy. For decades the whole Hungarian tobacco industry operated in the form of trust and within this the Hungarotabak enjoyed a monopoly position on the field of tobacco wholesale trading. During the 80's it was the sole Hungarian tobacco wholesale trader under the name of Tobacco Trading and Services United Enterprise with export and import activities, but its role was mainly that of the distributor of products for the domestic wholesale firms. Due to a special type of trust the owners of the firm were the enterprises belonging to the trust, that is the tobacco fermenting and cigarette factories and the Tobacco Research Institute. Consequently all the cigarettes made by the tobacco factories in Pécs, Debrecen and Satoraljajhely and all the imported tobacco goods were distributed on the Hungarian market by the Tobacco Trading Enterprise.

In the 80's the firm operated a distributing network and stores capable to supply the whole country. The firm was transformed into a Company from the 1st July, 1991 under the name of Hungarotabak Co. becoming an independent actor on the market and it is still present in all the major cities of the country: it operates 34 local branches and stores and six retail trading units among them four top-quality shops in the vicinity of the tobacco factories in Budapest, Debrecen and Pécs.

During the last five years the market conditions have significantly changed. The trade was liberalised and the competition is becoming extremely sharp. It is known that the privatisation of all the Hungarian tobacco factories and 80% of the fermenting factories had already taken place - all the four tobacco factories were bought by multinational companies. At the same time the monopoly position in trading discontinued, a number of domestic and foreign firm has successfully penetrated into the market.

Yet the Hungarotabak is still leading in Hungary with its 30-35% share of the market. Last year 7.3 billion cigarettes out of the yearly production of 22 billion pieces were distributed by Hungarotabak. The company's most important aim in 1994 was to maintain its share of the market and this was successfully accomplished in spite of the hardening terms of competition. The firm achieved last year a net profit of about 100 million HUF.

For the time being the company has a secure share of the market but it needs to involve a professional owner with sufficient capital to compete successfully in the future with the strengthening domestic private and foreign firms. The Hungarotabak Co. (address: H-1111 Budapest, Budaörsi u. 59.) has at present 350 employees. The State Property Agency expects exclusively cash bids for the 51.52% portfolio of the Hungarotabak Co. and this is hardly surprising in the light of the company's excellent parameters. The deadline of submission of the bids is 10 May, 1995 between 10 and 12 a.m. in the offices of the SPA.

For further detailed information on the company and tender, please contact: László Wengner, Counsellor of the State Property Agency H-1133 Budapest, Pozsonyi út 56. Phone: (36-1) 118-3853, 269-8600/1735 Fax: (36-1) 118-0435, 266-8508.

Tender documents may be obtained at: Customer Services Office of the SPA H-1133 Budapest, Pozsonyi út 56. Phone: (36-1) 289-8990 Fax: (36-1) 269-8991

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- Operates from new leasehold premises at Teasdale Industrial Estate, Thornby
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- Skilled workforce
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- Blue chip customer base.

For further information, please contact Simon Pollard or Alison Widdowson
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- Skilled workforce
- Sales of £0.5m plus, per annum
- Blue chip customer base including BAE, MoD, BNL

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GREEK EXPORTS S.A.
(A Subsidiary company of "E.T.B.A. A.E.")

ANNOUNCEMENT

OF A REPEAT PUBLIC AUCTION FOR THE HIGHEST BIDDER FOR PURCHASING
THE ASSETS OF "GABRIEL - SPINNING & WEAVING MILL OF NEO
PHALIRON A.E." NOW UNDER SPECIAL LIQUIDATION

GREEK EXPORTS S.A., established in Athens at 17 Psefidion Street, and legally represented, in its capacity as special liquidator of
GABRIEL - SPINNING & WEAVING MILL OF NEO PHALIRON A.E., in accordance with Decisions No. 854/12.12.1994 and
7423/1.1995 of the Piraeus Court of Appeal, and following the written statement (Ref:NG/94/253.595) of the creditors of the said
466 of Law (1992/93) to the effect that the offers submitted were deemed satisfactory by the creditors and, in accordance with para.11 of
the same article

ANNOUNCES

a Repeat Public Auction for the Highest Bidder for the purchase of the total assets, either as a whole or each of the four separate entities
indicated below, of the company entitled GABRIEL - SPINNING & WEAVING MILL OF NEO PHALIRON A.E. (established at 76
Athens-Piraeus Street at Neo Phaliron, Attica) within the framework of article 466 of Law 1892/1990, supplemented by article 14 of Law
2000/1991 and modified and completed by article 53 of Law 2224/1994.

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY

GABRIEL - SPINNING & WEAVING MILL OF NEO PHALIRON A.E. is a perpendicular and adaptable spinning and weaving mill which
produces synthetic, mixed and woolen yarns, clothing material and underwear. It has a dyeing - finishing installation for materials and
knitwear, substantial technical know-how and a constant presence in the fashion market where it has a good reputation.
The company's assets for sale include the following: (a) self-contained units which are for sale either as a whole or each separately:
First entity: The company's main factory building (spinning & weaving mill) situated on 76 Athens-Piraeus Street at Neo Phaliron.
Second entity: The factory for processing yarns and materials (dyeing-finishing) situated at 3 Davaki-Pindos Street at Neo Phaliron.
Third entity: The factory producing woolen and synthetic yarns in the Neo Lampasas area of Chalkida.
Fourth entity: Stocks of raw materials, ready and half-finished products, etc.

Detailed information on the company's assets included in each entity is to be found on pages 35-36 of the Confidential Offerings
Memorandum, as well as on the website of the "GABRIEL" website, the latter being accessible to the company's creditors as well as the
business and consumer in the Thessaloniki agency and in the facilities warehouses are included in the assets of the first entity and b) the
machinery (58 spindles, etc.) which is in the factory of PIRAEUS-ATHENS CHALKIS WEAVING MILL A.E. is included in the assets of
the third entity.

TERMS OF THE AUCTION

- Interested parties are invited to receive from the Liquidator the Confidential Offering Memorandum dated 22/1/95 and the draft Letter of
Guarantee in order to submit a sealed, binding offer to the Kalithea money public assigned to the auction, Mrs. Iordana Morfotou
(24 Harilaou Trikoupi Street, Athens, 5th floor Tel. & Fax: +30-1-262.67881 up to 1200 hours on Thursday 27 April, 1995).
- Offers must be submitted in person or by a legally authorised representative. Offers submitted beyond the specified time limit will not be
accepted or considered.
- The offers will be received before the above-mentioned auction on Thursday 27 April 1995 at 1300 hours with the Liquidator in attendance.
Persons having submitted offers within the time limit are also entitled to attend.
- Each interested investor can submit either one bid for all the elements of the company's assets, or separate bids for the purchase of one,
two, three or all four (4) entities.
The offers must state clearly if they concern the whole of the assets or separate entities, the offered price and manner of payment (in
cash or on credit, the number of instalments and when they are to fall due, etc.). If there is no mention of all the manner of payment, b)
whether the instalments will bear interest or not, then it will be assumed that a) the amount will be paid in cash, and that b) the
instalments will bear interest at the rate in force for Greek state bonds of one year's duration on the date of submission of the offer.
Offers must not contain terms upon which their bindingness may depend or which may be vague with respect to the amount and manner of
payment of the offered price or to any other essential matter concerning the sale. The Liquidator and the creditors have the right, at
their incontestable discretion, to reject offers which contain terms and exceptions, regardless of whether they are higher than the
others.
- On penalty of invalidity, offers must be accompanied by a letter of guarantee from a bank legally operating in Greece, of indefinite
duration, to the amount of two hundred and ten million drachmas (Dr. 210,000,000) if they concern the whole of the company's assets,
if they refer to separate entities then the amounts are as follows: at ninety million drachmas (Dr. 90,000,000) if the offer concerns the
main factory complex on 76 Athens-Piraeus Street at Neo Phaliron; b) fifty million drachmas (Dr. 50,000,000) if it concerns the factory on 3 Davaki-Pindos Street,
Neo Phaliron; c) forty million drachmas (Dr. 40,000,000) if it concerns the factory at Neo Lampasas, Chalkida; and d) thirty million drachmas (Dr. 30,000,000) if the offer concerns the company's stocks.
- Enforceability of guarantee: In the event that the party to whom the assets for sale have been adjudicated fails to fulfil its obligation to appear
and sign the relative contract within twenty (20) days of being invited to do so by the Liquidator, and abide by the obligations contained
in the present announcement, then the amount of the guarantee stated above is forfeited to the Liquidator to cover expenses of all kinds,
time spent and any real or paper loss suffered by himself and by the creditors with no obligation on his part to provide evidence of such
loss or consider that the amount has been forfeited as a penalty clause, and collect it from the guarantee bank.
- Return of letters of guarantee: Letters of guarantee submitted for participation in the auction shall be returned immediately after
adjudication, except for the letter of guarantee of the highest bidder to whom it shall be returned on signature of the final contract.
- Prospective buyers must submit, together with their offer:

 - A three-year business plan of action for the operation, modernisation and development of the enterprise.
 - A statement guaranteeing (highlight and type of new investments, time-plan for implementation and manner of financing).
 - Personal employment policy and programme for guaranteed job positions (number, duration, time-plan).
 - Data concerning the interested buyers with regard to their financial standing and their business activities to date.

Essential guidelines for the liquidator in judging the offers are, among others, the following:

- The height of the offered price.
- The number of guaranteed job positions for at least the first five (5) years after signature of the contract.
- The buyer's business plan and investment programme.
- The reliability, solvency and business experience of the prospective buyer.
- Any benefits accorded by the prospective investor to the unit's personnel.
- Guarantees provided by the buyer for any part of the sale on credit and for other obligations undertaken (job positions, new
investments, etc.) through the contract.

10) The highest bidder is the one whose offer has been evaluated by the liquidator and judged by the majority creditors as being the most
satisfactory.

11) Prospective buyers of the three factories, with their offer, must undertake the obligation to keep the units operative for at least five (5)
years from the date of signature of the contract.

12) For securing the payment of any amount on credit and all points contained in the business plans of prospective buyers (job positions,
height of investments, time of starting, etc.) as well as other terms agreed upon, the buyer must accept relative clauses and provide
guarantees which will ensure adherence to all undertakings. In order to secure any part of the payment on credit (beyond the other
guarantees provided) the buyer shall deliver to the liquidating company a letter of guarantee from a bank to an amount of at least 20%
of the part on credit.

13) The Company's assets and all the separate fixed and circulating assets that make them up, such as immovables, movables, claims, rights, etc.,
whether they are to be sold as a whole or as separate entities, shall be transferred "as is and where is", and more specifically, in
their actual and legal condition and wherever they are on the date of signature of the final contract, regardless of whether the Company
is operating or not.

14) The Liquidator, the Company under liquidation and its creditors who represent 51% of its total obligations, are not liable for any legal
or actual faults or any incomplete or inaccurate description of the assets for sale in the Offering Memorandum.

15) Interested buyers must, on their own responsibility and due care, and by their own means and at their own expense, inspect the objects
of the sale and form their own judgement and declare in their bids that they are fully aware of the actual and legal condition of the assets
for sale.

16) The Liquidating company and the Creditors bear no responsibility or obligation towards participants in the auction, both with regard to
the evaluation of the bids, the selection of the highest bidder, the decision, if any, to cancel or to repeat the auction and any other decision
in general regarding the procedure and execution of the auction. The submission of a binding offer does not imply any right in the
adjudication of the sale and, in general, participants do not acquire any right, claim or demand from the present announcement and from
participation in the auction, nor do they acquire any right or claim from the creditors for any cause or reason.

17) All costs and expenses of every nature for participation in the auction and for the transfer of ownership, as well as all taxes, duties, fines,
state fees or third party fees that may be imposed (beyond the exemptions foreseen by law) relating to participation in the auction and to
the sale contract, anything following the sale, transactions and any other acts, are borne exclusively and alone by the interested
buyers and the highest bidder respectively.

18) Participation in the auction implies acceptance by the prospective buyer of all the above terms of the present announcement.

19) The present announcement has been drafted in Greek and in English in translation. In any event, the Greek text shall prevail.

For any further information and for the Confidential Offering Memorandum, interested parties may apply to:

- GREEK EXPORTS S.A.,
17 Psefidion Street (1st floor), Athens, Greece. Tel: +30-1-324.3111 - 115 Fax: +30-1-323.9185
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234 Syngrou Ave., Athens, Greece. Tel: +30-1-952.5540-9 Fax: +30-1-956.8788.

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AN A-Z OF EXECUTIVE EDUCATION

Tuesday April 4 1995

Need is growing for strategic visionaries

The management education sector has survived the recession with few outward scars and the immediate outlook is encouraging, writes **Tim Dickson**

"It's no longer simply about putting backsides on seats. It's about selling companies and individual managers a lifelong educational partnership."

Appropriately perhaps, it was a marketing professor who last month summed up the current challenge for European business schools in this way.

Implicit in the observation - made to middle and senior ranking executives in Switzerland - was the acknowledgement that fast-moving markets, changing technologies and more demanding customers are not just academic niceties for the professor and her peers. The management education industry itself has become a laboratory for its own ideas.

The current turmoil, of course, is not visible in the form of mothballed lecture theatres, redundant academics, or even the wholesale transfer of teaching activities to cheap, "off-shore" locations.

Campus costs have certainly come under pressure, executive backsides for some courses are in short supply, and the flood of young business professionals wanting to study for the Master of Business Administration qualification has, at least temporarily, been checked.

Thanks in large part to the income from companies which turned to business

schools for help in implementing their "change" strategies, however, the management education sector has survived the recession with relatively few outward scars.

The immediate outlook is also encouraging. As growth prospects brighten, demand for managers with international horizons, broad skills and a clear vision - attributes that the best schools claim to provide - is greater than ever. If the tight clamp imposed on training budgets is loosened even a little, enlightened companies should start practising what they preach and invest more money in people.

The structural changes in the market for executive education, though - changes which are likely to intensify - are already altering many traditional assumptions and imposing new pressures even on fleet-footed institutions. The changes include demands for shorter and more relevant courses, the impact of new technologies on teaching methods, the onus on managers in organisations to take responsibility for their own career development and the fragmentation and increasing rivalry among trainers, developers and educators.

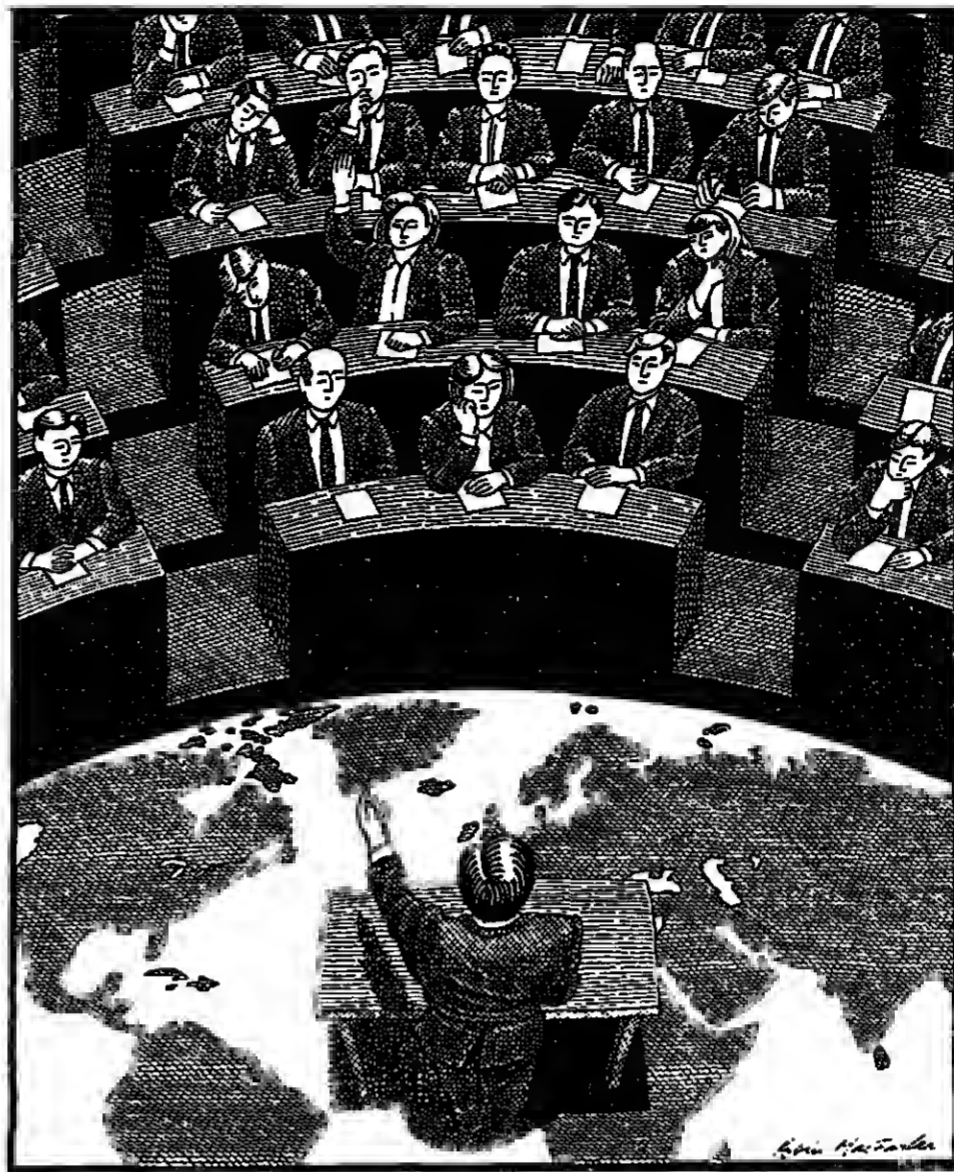
All these trends to some extent stem from recent changes in the nature of management itself: to a more complex, more ambiguous, more demanding

activity. Today's executives need to be strategic visionaries, empowering other people to cope with the challenges that lie ahead. Increasingly, however, they are also expected to be able to implement and deliver results immediately.

Reliable figures showing the size of the management education industry simply do not exist. Much of the money spent on executive training - probably the bulk of it - is in effect "hidden" in the training budgets of those big companies, such as IBM, which run regular "in house" courses. Such courses are typically led by a mixture of company representatives, consultants and hand-picked academics.

Business schools have traditionally been the main "outside" suppliers of management education, offering a combination of "open" courses (to which anyone can apply) and so-called company specific programmes, typically involving a management team from a single business. The recession of the early 1990s substantially shifted the schools' product mix towards these "tailored" courses aimed at companies which want their specific problems and challenges and those of their industry - kept in sharp focus.

"For the first time in our history these programmes have reached 50 per cent of our total income," says Mr Mike Osbaldeston, chief



executive of Ashridge in the UK. "I would not be surprised if it gets to 60 per cent this year."

Cranfield University School of Management, also in the UK, reports a similar trend. Since 1989 the school's income from executive education has doubled and represents 52 per cent of its total turnover. Of that income, more than two-fifths comes from in-company programmes.

Mr Antonio Borges, currently co-dean at Insead but due to take sole charge at the Fontainebleau-based business school later this year, expects competition for company specific programmes to intensify in the next few months as more players, notably accounting firms and management consultants, enter the market. Gemind, Andersen Consulting and Arthur D. Little are among those already

encroaching on traditional business school territory.

Management consultants - through their consultancy assignments - have the perfect springboard for developing and selling training programmes into individual companies.

As in every industry, the winners will be those who not only respond to - but correctly anticipate - client needs.

Short "open" programmes

- in which managers can usefully mix with peers from different industries and different cultures - will no doubt survive under a business school banner.

Increasingly, though, companies are pooling resources and forming consortia to meet their own management education needs. "In part, this is driven by a recognition that companies have much to learn from each other and that exposure to the ways of other businesses is one of the most effective methods of genuinely broadening horizons," says Mr Michael Hay, dean of executive education at London Business School.

Flatter management structures pose an additional challenge for companies and educators alike. Traditionally programme styles and content have been predicated upon clear organisational hierarchies: the more senior you became, the more general the approach to learning. Today, however, managerial roles are defined less in terms of the levels in an organisation, more in respect of areas of activity and capability. The terms middle and senior manager can mean vastly different things in different companies.

An increasing emphasis on cross-functional thinking in big organisations, moreover, means that the traditional courses on, say, marketing, finance or human resources are only of interest to low-cost providers. Integration (providing a more holistic view of the enterprise), internationalisation, innovation and implementation are the 1990s buzzwords in course design - but as one business school dean recently insisted: "The one thing you can't do is to keep running the same programmes."

Although some institutions make great efforts to reward teaching skills, there are relatively few academic plums for being an effective, likeable and amusing teacher.

But, of course, teaching skills are what the paying customer wants (as well, it is true, as access to leading edge research). Organisations offering management development programmes are increasingly careful to ensure they offer them.

Academics are usually evaluated by the students they teach and a growing number of institutions publish those evaluations.

A foot in two camps

ACADEMICS Getting academics to do anything is, in a famous phrase, equivalent to herding cats. Business academics are no exception.

The system of tenure gives senior academics complete autonomy. Most like to make full use of it. But business academics have a foot in two camps - the real world of business and the equally real, if occasionally more abstract, world of academe.

This dual role is best exemplified by the frequent criticism that business academics concentrate on narrow, esoteric research with little relevance to business. There is some truth in that, and many academic institutions will go out of their way to show that their research is immediately relevant to business and to emphasise how much stress they place on teaching ability.

But the importance of narrow research is not solely the fault of academics. The rules of the academic game are that if they are to progress in their careers they must demonstrate published original research. One way to be original is to be esoteric.

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Continued on next page

Continued on next page

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AN A-Z OF EXECUTIVE EDUCATION II

A foot in two camps

Continued from previous page

tions. Particularly poor performers are likely to receive remedial help of some kind, either informally by colleagues or in formal programmes.

Only the best teachers appear on executive development programmes. Facing a class of hardened managers is generally accepted as a tough assignment. Younger academics are likely to cut their teeth on MBA classes - not something that MBA students, themselves a hard-nosed bunch, always appreciate.

Another occasionally controversial issue surrounding business academics is the fact that many of them also act as consultants. In most of their contracts they will have a specified amount of time, typically one day a week, in which they are free to pursue their own interests. This may involve research, writing, consulting - ie sharing their theories and ideas with a company in order to improve its performance - or simply extra-mural teaching.

There are two reasons for this freedom. First, by being in close contact with the business world academics in theory avoid the "ivory tower" syndrome and are able to bring real business issues into the classroom. Second, it allows them to top up their salaries and enables business schools and other organisations to attract top academics when their pay may be limited by national pay scales.

However, this freedom can bring problems. There is concern, for example, that freelance consulting by academics may hinder their organisation's ability to win consulting projects.

Some top academics have established lucrative consultancy work on the back of their academic renown, yet bring little back to the school that nurtured their success. Academics who teach outside their institutions may also stand charged with using the organisation's resources (such as their teaching materials) for their own use.

In some schools these concerns have grown to the extent that there are thoughts of making academics declare their outside interests in a way

not unlike that imposed on legislators. But all this is not to suggest that academics who teach business and management issues are not just as concerned as their counterparts in other disciplines with academic rigour and responsibility to their students.

Moreover, academics in business schools have been the key players in imposing order on the essentially chaotic subject of management. They have provided real insights for practising managers developed and passed on theories that have had immense positive benefits for companies and their employees, and inspired many managers to perform well above what they thought their capabilities to be.

Still life in Ps and Qs

ACTION LEARNING
Though action learning is often used as a catch-all phrase to refer to a variety of learning approaches, it is a specific way of handling the development of managers and executives.

It was developed in the UK after the second world war by Reg Revans (originally in a report about training in the coal mining industry). Revans suggested that learning consists of two components. The first is called "programmed knowledge", or P, which is acquired formally from books and lectures. The second is "questioning insight", or Q, based on experience and creativity. The Q element is important in seeking solutions for unfamiliar problems. Action learning plays down programmed knowledge, and the role of consultant or business school professor is usually that of group facilitator. However, it is also assumed that programmed knowledge is absorbed during the process of defining, debating and solving a problem.

Action learning takes place, therefore, between groups of managers who come together to discuss real problems. In the light of their experience (Q) and with some input of theory (P) from a facilitator, they seek to come up with a solution and then, crucially, put it into effect. The group will also evaluate the results of that action. Action learning has been described as teaching people to



Manchester Business School runs a course for those who have just joined the board (see: Director Education)

"act themselves into a new way of thinking".

Surprisingly, this rather woolly and long-established concept is finding increasing favour in the 1990s in business schools and consultancies - not least because in a time of change, few problems have historical antecedents. All solutions require creativity based on wide experience.

In "pure" action learning, members of the group each bring a problem that the others seek to solve. This is typical of two programmes at Ashridge Management College - action learning for chief executives and for women directors.

Philip Hodgson, who leads the chief executive programme, says that, though they are highly effective at senior levels, action learning techniques can also be used lower down the organisational chain.

Often, the question or problem that the group engages with comes from an external client rather than from within the group. In management development terms this may involve managers working as part of team on a project within a company to advise on a solution to a problem. Action learning techniques also appear frequently in tailored programmes designed for specific companies.

It would be wrong to suggest that the action learning approach is taking management development education by storm. Traditional lectures and case discussions still dominate. But for an idea now half a century old, action learning is showing surprising life.

B Clichés may be true

BROADENING

One of the key claimed benefits of management development programmes is that they "broaden" those who attend. This is said to be particularly so for general management programmes and especially for open, or public, programmes, where participants come from a wide variety of organisations.

The comment that "I learned more in the bar than in the classroom" is a cliché; but most clichés are true.

The ability of managers to mix and compare themselves with others and "take risks" in an environment away from colleagues and superiors is a key element in management development. Although mainly of benefit to individuals, it helps their organisations, too. Managers grow in confidence and perception and this should translate into their performance back in the workplace.

But in-company programmes can have equally positive results. In a large organisation, few managers know all their peers. Bringing them together, especially if programmes are run in a company training centre or hotel, can reproduce most of the benefits of open

programmes. And an added advantage is that managers can establish an intra-company network.

Broadening was probably the key component of general management programmes a decade ago but Arnold De Meyer, associate dean for executive education at Insead in France, detects a trend that may be affecting that.

"Broadening is still an important issue," he says, "but increasingly managers want something they can take back to their offices and use next week. So programmes have to be a bit more action-oriented."

C Teaching at the top

CEOs
Providing management development for the top man or woman in a company is an exercise fraught with difficulty.

Within companies, senior human resource executives or others concerned with management are very unwilling, as one has put it, "to tell them they don't make a very good role model or don't know anything about finance".

And providers of management development are also aware that executives at the most senior level do not really want a formal programme but

more an opportunity to discuss issues with their peers - one reason why action learning type programmes are so popular at this level.

Even so, programmes for chief executives are on the increase and there is a strong belief that development at this level is both needed and possible. Indeed, demand for such programmes reportedly rose during the recession as top managers began to realise their own vulnerability.

Mr Murray Steele, who leads senior-level programmes at Cranfield School of Management, comments: "You can develop the top manager and there is a definite need to develop them. It is a flaw in British management - that assumes once you have a seat on the board you are beyond further development."

But programmes do have to be carefully structured. Essentially, they aim for three things: to get CEOs to stand back from their business and consider it more objectively; to examine their own management styles and, especially, to receive feedback from others on the programme, though some organisations also offer one-on-one assessment.

More typically, the Haas School of Business at the University of California at Berkeley organises two-day executive briefings where, by invitation, CEOs and other senior executives are brought together at a hotel for in-depth briefings and discussions.

Consultants and other independent management development organisations also frequently offer this kind of event.

For them all, though, the problem is often persuading CEOs to come along - and not just because of work pressures. They want to be sure they will be among their peers. The first thing they tend to ask is: "who else will be there?"

Harvest is nearly over

CHERRY-PICKING
Cherry-picking is a phrase that describes the attempt by some companies to develop in-house development programmes simply by stringing together bits of open programmes. They decide on what they are trying to achieve, what sort

of information they need to put across and then they go out to see where (usually a business school) it is on offer. They then "cherry pick" the professors or lecturers they want and invite them to deliver their business school lecture inside the company.

Since business academics, especially those with "name", can usually command high fees for such services and because little additional work is involved, the practice is not unpopular. Companies like it because it is cheaper to bring professors to a large class than to send large numbers of managers to open programmes. On the whole, business schools do not like it for the same reason - it can deny them income.

However, there are suggestions that the era of cherry picking is coming to an end. Companies are demanding rather more than an off-the-shelf lecture.

Management development is increasingly seen as something closely geared to fundamental corporate objectives. So companies want programmes and even individual lectures that are finely tailored to their specific needs.

A recent survey by Ashridge Management College, Trends in Management Development, reveals a decline in companies which are hiring "gurus" to deliver standard business school lectures and a corresponding increase in demand for personal needs development.

D Superior attitude

DIRECTOR EDUCATION
It can be a question of psychology when dealing with director education. Call something a course and directors won't attend, thinking courses are for subordinates. But use the word symposium or seminar and it's a different matter. Such terms smack of participation rather than straightforward learning. But Dr Carla Millar, director of the management development centre at City University Business School, doesn't believe that such an attitude is

arrogance. "Because they are aware of a need for training their staff, they often feel they learn by a process of osmosis."

Directors, says Dr Millar, whose centre has a course comprising seminars for directors of audit in its internal audit programme, often prefer individual consultancy.

Though there are several courses for director education at business schools and management colleges, the most structured training is conducted under the auspices of the Institute of Directors. Its centre for director development runs over 40 short courses and workshops along with distance learning for directors covering issues involved in company direction and personal development. Qualifications offered include the IoD Diploma in Company Direction and the Masters in Company Direction, in conjunction with Leeds Metropolitan University.

Since last year new directors have been able to take part in a - joining the PLC Board course. The two-day course is run by Henley Management College, Manchester Business School and Ashridge Management College in association with the IoD.

Flexible and popular

DISTANCE LEARNING
Distance learning is riding the waves of more modular structures in management education, the shift in emphasis to self-development, and the enthusiasm for continuous learning. Its sheer flexibility has made for a rapid growth in popularity.

While the market leader in this type of tuition remains the Open University, several business schools and management colleges now offer courses in the form of distance learning.

Not only does the facility give them students who would not have the time to undertake courses, it also encourages overseas students.

Distance learning is already gaining currency fast for MBA study. Last year the Association of MBAs estimated that 9,000 people were studying for an MBA via distance learning.

E Hard-headed approach

EVALUATION
Given the amount of money that companies spend on management education, it is hardly surprising that there are growing calls for proofs of its benefits. The old adage about advertising is that companies know that half is worthless, but

Continued on next page

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Programme may last longer if business core courses required

Continued from previous page

The market is very sophisticated; everyone is familiar with what was being taught two to three years ago. Internationalisation has many meanings in management education these days - from the composition of faculty and student numbers to case study subject matter and general curriculum content.

As business schools struggle to prove their credentials in all these areas, it is only natural that the sector itself should be becoming more global in character.

Hence the growing interest of North American schools in the European market - both as a short-term source of new

Need for strategic visionaries

clients and a long-term investment in fresh case material. The University of Chicago Graduate School of Business, for example, began its executive MBA at Barcelona last year. Taught on a part-time basis in four two-week and six one-week modules spread over 18 months, the course is taught by the Chicago faculty and offers four weeks of study with student counterparts in Chicago.

In June the Fuqua School of Business at Duke University is set to start a six-week global executive programme - in

three sessions - at sites in Europe, south-east Asia and the Americas. Most intriguingly perhaps, the Michigan Business School, which claims to be the biggest executive educational establishment in the world, has announced that it is launching what it calls a global MBA from next September.

The idea is to bring together faculty, students and teams from Europe, Asia and the US using advanced communication technology: a combination of interactive video, shared application computing, electronic messaging and computer conferencing.

European rivals are naturally sceptical of the North Americans' international credentials - but, if nothing else, the Michigan initiative demonstrates that low tech teaching in the form of poorly produced slides and non-interactive hard copy cases will be insufficient for tomorrow's world.

If technical innovation is one imperative, another important business issue for schools is identifying their customers. Research into its 1994 open programmes carried out by Cranfield showed that in 68 per cent of cases the "sugars" was the participant himself or her-

self and in 30 per cent of cases it was the line manager. The training manager was only responsible for only 17 per cent of decisions.

Increasingly, it appears, the onus is being placed on the individual manager, particularly at more senior levels, to appraise his or her own capabilities, identify areas where training is required and take the initiative in acquiring it.

Such individuals these days are both mobile and insecure - participants often judge courses on their ability to provide skills which are transferable between organisations - and they increasingly recognise that business education is an integral part of a manager's life.

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AN A-Z OF EXECUTIVE EDUCATION III

Hard-headed approach

From previous page

Unfortunately not which will not do in management development.

This harder-headed approach has provoked a response. Traditionally, suppliers of management education have refused to provide companies with reports or feedback on the performance of their managers on a course. Companies were forced to administer their own post-programme debriefings, measuring career progression and personal visits to schools and institutions to get some idea of their effectiveness.

Now providers of management education are prepared to become much more involved. On tailored programmes especially they will work closely with a client company to assess the benefits. Most have no option. Few companies would be content to start a new programme or continue with an old one without this kind of co-operation.

Open programmes are beginning to take a similar approach. Business schools and others that offer public programmes will sit down with companies to discuss the aims of particular programmes and the likely benefits to a company's managers and to its business. Many will offer advice on how to get the most from a participant's new knowledge and experience when they return to the company. At Ashridge Management College tutors visit participants in their workplace over a nine-month period following a programme.

In the UK, probably one of the most detailed evaluation processes has been developed by Sundridge Park Management Centre, based in Kent. Sundridge's Performance Improvement Process (PIP) uses identical courses, post-course and follow-up questionnaires to elicit how much participants felt they knew about a subject before attending a programme, immediately after it, and three months later. Sundridge also uses the questionnaire results to identify parts of a programme that may not be as effective as others.

F Clues for managers

FINANCE PROGRAMMES As a core subject for any manager, a vast array of courses awaits potential students. Open programmes; company

schemes and courses geared towards the manager unfamiliar with much finance along with those leading to recognised financial qualifications via in a highly competitive area.

Business schools often work closely with financial institutions and standard setters on tuition and qualifications. City University Business School has one of the most extensive range of finance courses and largely targets those working in the City of London in conjunction with the Securities Institute Diploma and the Securities and Futures Authority's registered person's qualifications. It hosts more generally based courses too, including the Banking and Financial Management Summer School.

The International Centre for Banking and Financial Services at Manchester Business School works with the Chartered Institute of Bankers to run one-week credit programmes, along with providing programmes for development for middle and senior management in financial services. In common with most business schools and management colleges, it also guides non-financial managers through the complexities of accounting and corporate finance, so that those not directly involved in the financial heart of a company will appreciate more clearly the financial impact of their business decisions.

London Business School says that many senior managers are embarrassed to admit that their financial knowledge is poor until they attend courses and find plenty of others are in the same position. Its financial seminar for senior managers is largely taught by the accounting faculty rather than finance so that the starting point is where most newcomers to finance will enter - the profit and loss figures.

G The alpha and omega

GENERAL MANAGEMENT PROGRAMMES These are not just the flagships of management education, they are the bread and butter. They are what management development is fundamentally about - preparing individuals to take on broad management responsibility, usually after a successful period in a functional position such as a financial, technical or marketing manager.

As such, they tend to concentrate on two areas. They introduce managers to the other functional specialisations in which they have no expertise.



Ashridge Management College, in Berkhamsted, Herts, is among the leading schools in its genre

And they attempt to teach the basic elements of the interpersonal skills so essential to managing - leadership, team playing, negotiation and so on.

The two are interrelated. General managers need a reasonable understanding of the technicalities of the various functions below them; and they need to know how to interact with both subordinates and their peers.

The growth of much flatter organisations as a result of downsizing or delayering - essentially removing several strata of middle managers - has increased both the need for and the demands on general managers.

Most reputable organisations will offer courses suitable for individuals about to enter a general management position. The granddaddy of them all, of course, is Harvard's Advanced Management Programme, which has a price tag well above \$30,000 for 11 weeks but also numbers some very distinguished alumni.

Rule worth following

GRIND Some people will always try to treat executive education - particularly sessions away from the office - as just another holiday. But these days they will almost certainly be the exceptions. While there is a strong case for creating a relaxed learning environment - by dressing down, for instance, and allowing time for social interaction - a good course administrator will always ensure that there is a full and varied timetable. Those who routinely take their work home on the train will not be put off by "homework" - good preparation is essential to full involvement in the next day's discussion - but getting to know other participants on

an open programme for the first time (for even adapting to colleagues outside the company) can impose additional strains. The best rule to follow: the more you put in, the more you get out.

Teamworkers often clash

GROUPS

Most business schools combine class teaching and classroom discussion with work in smaller "groups" for both their MBA and executive courses. Take IMD in Switzerland. Typically, the 50 or so participants on its programme for executive development are divided into groups of five or six which, in turn, are used as the basis both for team-building exercises and more detailed dissection of case studies.

Team-building is often supported by the results of "type indicator" questionnaires, such as those devised by Katharine Briggs and Isabel Briggs Myers in the mid-1970s and later by Meredith Belbin. Learning to work with other people - and understanding individual strengths and weaknesses - is a key aspect of management development but it can be painful. IMD changes the composition of teams every week but strong personalities sometimes clash.

An absence of guidance

GUIDES

The market for executive education is not as well served by consumer guides as, say, that for MBAs.

There is talk that both the Economist Intelligence Unit and publishers Kogan Page are

planning to produce guides. The EIU last produced one (*On Course for Success* - covering Europe and North America) in 1992.

For the most part, buyers (and potential participants) must scour bookshops or (as is often the case) rely on MBA guides for an insight into business schools and other organisations.

For Europeans, one fruitful source is the European Foundation for Management Development, based in Brussels. The EFMD publishes a range of guides and reference books on executive education. The EFMD is at 40 rue Washington, B-1050 Brussels; tel: 32-2648-0285; fax: 32-2646-0768.

A positive new wave

GURUS

Back in 1982 the magazine *International Management* complained: "Where have all the management gurus gone?" It lamented the fact that at that time no-one of similar stature had come along to match Frederick Herzberg (motivation), Douglas McGregor (Theory X and Theory Y) or Robert Blake and Jane Mouton (the managerial grid). The magazine was perhaps fortunate (or maybe unfortunate) in its timing. For the rest of the 1980s saw the beginnings of an explosion in gurus that continues to this day. Names such as Tom Peters (excellence), Michael Porter (competitiveness), Rosabeth Moss Kanter (change), Charles Handy (change) and Henry Mintzberg (strategy) are known to and (perhaps not the case with earlier gurus) read by executives around the world. And new ones are arising all the time.

Gary Hamel, Sumantra Ghoshal, Yvez Dos, John Stopford and others were recently lauded in an Economist article about "Eurogurus" (though Hamel is an American). The article also noted the rise of the corporate guru, citing such well-known business leaders as Carlo de Benedetti and John Harvey-Jones.

Whether the proliferation of management gurus has any significance for management development is open to debate. Gurus do not often take a Friday afternoon class in strategic management. They lecture, of course, but usually for large sums. However, there can be little doubt that the wave of management gurus that has arisen over the past decade or so has had a positive influence both on management practice and the perception of management as something worthy of study.

An A-Z of Executive Education

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H A shift in strategy

HUMAN RESOURCE FUNCTION

There are two ways of approaching human resources and management education. One is to look at the human resource approach to the training. The other is to look at the type of course available to human resource managers.

As companies emerge from recession, most are taking an austere view of any request to attend an external MBA course. While recruiting an MBA-qualified manager is one thing, releasing and sponsoring such managers for lengthy development courses is not high on corporate agendas of human resource departments.

Perhaps the main reason behind the contraction in the market for business-sponsored candidates in management schools has been the desire among companies to develop in-house bespoke training programmes geared to the products, services and processes of the parent company.

Mr Alan Warner, managing director of Management Training Partnership, a consultancy which specialises in tailor-made programmes, says that companies have been shy away from sending their managers on MBA programmes, partly because of cost and partly because of the time investment needed.

"The dominant HR strategy has been to develop the managers that companies want in-house. Companies do not want to invest in qualifications that their managers might take elsewhere," he says.

The partnership is involved in management training at Unilever. "With a company of that calibre, if you have been through its graduate training it may well count for more than some outside qualification," Mr Warner says.

Some business schools now offer courses specialising in Human Resource Management. Cranfield School of Management has just launched a specialist MBA option in European Human Resource Management, a specialist programme to be run jointly by six business schools and universities across Europe.

I Learn the message

IN-HOUSE PROGRAMMES

In-house programmes are the alternative to sending executives away for residential training courses.

They offer the opportunity for improved cost-effectiveness, and for tailoring a programme precisely to the needs both of the organisation and of the individual managers covered.

But they also require considerably more effort. In-house programmes are becoming more popular, but often in combination with short courses offered by established external business schools.

It also helps, on grounds of both cost and effectiveness, if the programmes can achieve a "critical mass".

Mr George Davies, a director of Cambridge Management Centres, which designs programmes for companies, says: "Programmes are at their most powerful when you have a group of more than 100." Participants can emerge from a specially tailored programme "infused with the corporate culture".

But cost is a problem for smaller companies, and Mr Davies says that while an in-house programme can usefully be run with only six or 12 participants, the greatest benefits are with larger numbers.

He suggests that in-house programmes are an effective tool for working against the status quo. Companies which want to make a sharp culture change or shift policy can first determine their needs, and then ensure, using consultants or academics, that they all collectively take courses to learn the new message.

Otherwise, standard generalist courses may make more sense - these also allow interchange with executives from other companies.

Reputation builders

INTERNATIONALISM

The tendency among many companies not only to ask for an MBA but to ask where it

was gained has not gone unnoticed by the schools and their potential students.

So how is an international reputation achieved? Part of the job is getting the name of the school known abroad. This will involve promoting the organisation and its research at international conferences and seminars. Research publications, course quality and the cosmopolitan composition of the student intake are also important.

London Business School, for example, has 40 different nationalities on its new MBA intake and about 60 nationalities in the whole faculty, possibly the most international mix of any of the world's business schools.

The LBS summer project will involve travel to 26 separate countries. In addition, some 40 students are embarking this month on a programme in eastern Europe to advise companies on how they can improve their exports to the west.

It also helps if schools have an internationally renowned business guru on board or if they can gain a reputation in publishing.

Warwick Business School, which has built up a strong reputation for its research work, is about to begin publishing bulletins on hot topics for business executives but it does not produce a regular magazine.

Prof Bob Galliers, the Warwick chairman, says: "It would be pointless to try and publish a rival to the Harvard Business Review as some US schools have attempted to do. The Harvard Review is on the chief executive's desk and he's not going to look for anything else."

Manchester Business School says schools must ask themselves whether they are attracting international students. Manchester's intake breaks down at 25 per cent UK, 15 per cent from other parts of the European Union, and 60 per cent from the rest of the world.

J Corporate graffiti

JARGON

Management education is becoming steeped in management jargon and rhetoric that has been described by Prof Tom Robertson, marketing director at London Business School, as "corporate graffiti".

Ideas that he lists as in vogue during 1995 include: Activity-based accounting, benchmarking, business process re-engineering, codes of ethics, core competencies, empowerment, lean manufacturing, market driven and

Continued on next page

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AN A-Z OF EXECUTIVE EDUCATION IV

Corporate graffiti

Continued from previous page

close-to-customers, relationship marketing, strategic alliances and networks, time-based competition and total quality management.

In the spring edition of the school's Business Strategy Review, Robertson goes on to ask what happened to the holy grail of a few years ago which included ideas such as Theory Z, zero-based budgeting, intrapreneurship and skunk works.

He points the finger at business school academics and management consultants for generating this changing lexicon of businesspeak. On the supply side academics are responsible for the ideas and consultants for branding them as a basis of competitive differentiation in their firms. On the demand side, says Robertson, is a receptive audience of managers perennially searching for simple "branded" answers, adopted with fervour and dropped without regret as they move to the next hot concept.

He has noticed that the language of these fads is adopted in company newsletters, reports and advertising in what he calls a "graffiti response", often without substance. All annual reports, he says for example, look as if they have been written by the same person.

K

Before it's in textbooks

KNOWLEDGE

While possessing an international reputation is clearly essential to the lifeblood of the top business schools, achieving that reputation usually comes down to the quality of the research it undertakes.

Prof Bob Galliers, chairman of Warwick University, says: "If you are a student at business school you do not want simply to regurgitate textbooks - the sort of things you can get at the Heathrow

airport bookshop. I call it the Heathrow school of management. We need to be at the cutting edge of business knowledge, researching material so that our students know a subject before it gets into the textbook."

Galliers does not see the research role as one where the schools should be leading or following business practice, but in working closely with business so that both can equally feed off each other.

This policy is pursued closely by London Business School. At present, it runs an executive development programme where Marks & Spencer and four other companies in different sectors put their executives into each other's companies to learn from the way they run their respective businesses.

All the schools, however, look somewhat enviously at the Harvard Business Review, which has established itself in company boardrooms as a fount of business knowledge.

L

Chance to sell abroad

LANGUAGE TUITION

Language tuition for managers is a growing industry, with private providers and trainers competing for business while the UK government also provides support.

The bland assumption that exporters who can speak English are shielded from the need to learn any other languages is losing ground as new markets in eastern Europe and China come to the fore.

A report produced for the UK's Department of Trade and Industry in 1993 showed that a third of small UK exporting companies had missed opportunities because of linguistic barriers. In the Netherlands, only 4 per cent of exporters had experienced the same problem.

In response to this, the department now offers "language audits", checking on companies' requirements, and current problems. This usually results in recommendations for tailored, individual tuition.

The focus is now moving

from providing in-house classes or subsidising employees to take evening classes. Instead, managers assess specific language needs of individual staff, and then invest in intensive courses, often one-to-one, to help them reach a given level.

Private providers also offer briefings on broader cultural issues to help executives adapt to doing business in a different country. Courses are also available which concentrate on business vocabulary.

The products offered by the Centre for International Briefing, based in Farnham, Surrey, are typical. The centre offers residential courses on a one-on-one or, as a maximum, one-on-two basis. Tuition comes in five-day modules, with the aim being intensive immersion. Subjects on offer include a range of English-speaking executives might once have ignored, such as Hungarian, Indonesian, and Malay.

Accelerated learning

LENGTH OF PROGRAMMES One of the most pervasive trends in management education over recent years has been the shortening of programmes offered by business schools and others.

There was a time when academics argued that only a three-month in-residence programme could allow the time and ambience for managers to absorb new knowledge. That, however, has proved to be too much for both companies and their managers.

At a time when companies have downsized to the extent that remaining managers are working under heavy pressure, companies simply cannot allow them to be away from the office for such lengthy periods. Similarly, managers themselves are increasingly loath to be absent for so long - partly because of pressure of work and partly because of perhaps understandable insecurity.

As a result, the majority of senior level programmes that may have lasted 10 or 12 weeks have now been cut to no more than half that. Even when programmes do last for considerable periods, they are often split into separate modules of more manageable length. The more specific, functionally based courses are even shorter, perhaps only a few days.

The Kellogg Graduate School of Business of Northwestern University outside Chicago is typical of many top-ranking schools. Its flagship general management programme, the Advanced Executive Program and the Executive Development Program, last for just four weeks and three weeks respectively. A program called Pricing Strategies and Tactics lasts just three days.

Kellogg has gone further than some schools and now offers what it calls the Kellogg Management Institute. This is in effect equivalent to the Advanced Executive Program but is taught for one full day on two Fridays a month between September and May.

Mr Arnold De Meyer, associate dean for executive education at Insead in France, says his school constantly tries to identify the parts of its programmes that are the most important added-value elements for managers. Insead is also "sending a lot more background and pre-programme material to participants before they start to offer as parallel options parts of programmes that may not be equally important for all managers," he says.

M

Demands get tougher

MARKETING

MARKETING grows into more of a cross-organisational responsibility, so the demands on courses are getting tougher. And added impetus for high educational standards comes from the ever-growing competition in marketing, particularly in sectors such as financial services.

Issues such as relationship marketing and brand values are high on the teaching agenda. More voices are calling for greater education in marketing, especially in financial areas. Mr Raoul Pinnell, director of Marketing at NatWest, recently delivered a damning indictment on the quality of marketing in financial services, saying that it had lost its way, being concerned too much with advertising and too little with the consumer.

Managers are waking up to the central role of marketing in their companies' development and taking a keener interest in education.

Manchester Business School offers a diploma in marketing, ratified by the Chartered Institute of Marketing, that stretches over five weekends. The course started last year and condenses tuition that is normally offered part-time and spread over a year.

City University Business School runs specialisms in advertising and handling the media in its marketing courses.

Specialised marketing programmes are also available in short courses. London Business School's Civil Aviation Strategic Management and Marketing is one example.

No need to stop work

MBAs

Modular is the name of the game in MBAs and there is a rapid growth in distance learning. MBAs, for long viewed by some as too academic and time-consuming, are becoming more user-friendly.

Many more business schools are offering a flexible approach to this qualification in response to demand from students and potential employers. Short learning blocks are available along with evening and weekend study. It is no longer necessary to give up a job to take an MBA.

IT gets noticed

MULTIMEDIA

A decade ago, it was said that having an expensive paid academic spend an hour or so in lecturing a single class of students about basic economics or accounting was a remarkable expenditure of resources in an age of information technology.

Yet the management development industry has been, in some eyes, remarkably slow to take advantage itself of IT at a time when this technology has had such sweeping implications within

business. That situation is now changing rapidly.

Video courses, such as those produced by John Cleeve and Video Arts, have long been a part of basic training but interactive learning has taken much longer to establish itself.

Computer simulations and business games on computer have become key parts of most management development programmes and many organisations, such as Henley Management College, are now using variations on E-mail, such as Lotus Notes, to bring distance learning students together and to help follow-up once programmes are over.

But the real development in using IT has come with the growth and increased availability of multimedia CD-Rom. These compact disks, used with a fairly straightforward PC, allow data, sound and video images to be accessed in a way that is for the first time truly interactive.

To be honest, their full potential has still to be realised (and a number of doubts are raised about their true effectiveness), but equally, many academics believe that multimedia will have a profound effect on management education and the structure of business schools and other providers.

Some believe that realising the full effects of current and future multimedia and IT technologies could result in "virtual" business schools that have more to do with the dissemination of knowledge and information than with a physical location.

Current work on multimedia learning tools is widespread. For example, Xehoc Multi Media Solutions in the UK has produced a series of CD-Rom training packages and there are other similar producers in the market. On the business school scene, Harvard is working on CD-Rom-based case studies, as is Insead, based just outside Paris.

Insead, which developed its first multimedia cases in 1992, is probably the most advanced. According to Mr Albert Angehrn, professor of information systems at Insead, CD-Rom can provide several hours of video and animation, thousands of photographs, pages of text, graphics and charts.

Insead first based its multimedia cases on the idea of an "electronic book" that allowed students to browse, mark, annotate and search for specific topics or people in the text. They also allowed direct access to related images and outside - the real difference that multimedia brings. For example, the Swatch case allows students to compare North American and European advertising approaches by watching video clips, which appear in a small "window" on the computer screen. Students can also watch the steps involved in product development and see a short interview with the product manager.

Newer cases have become increasingly sophisticated and less structured. Mr Angehrn argues that the editing implicit in writing down a case is being removed. Students are now able to look at a company website and with as much information as they want. They can access real financial data on a company via spreadsheets and carry out "what if" analyses.

In one marketing case they can evaluate advertisements and advertising campaigns by changing the style of advertisements. The computer will suggest the likely results. In other words, they approach the case like real-life managers.

N

Reskilled for a return

NVQ

The latest set of initials to arrive in the UK's training environment is NVQ - National Vocational Qualification.

Although they are generally perceived as a vehicle for improving the standards of training in particular technical crafts and skills, they are now increasingly recognised as a relevant and useful tool for re-skilling middle managers.

The NVQ system awards standardised qualifications to trainees once they have demonstrated specified levels of competence in the workplace. Five levels of NVQ are available, of which levels 3 (supervisory management), 4 (first line management) and 5 (middle management) all have particular relevance for training and monitoring middle managers.

Each level includes a series of "units of competence" which trainees must satisfy. To do this they must be assessed by their peers, making it easier to monitor their progress.

For example, level 4 includes four "key roles" - managing operations, finance, people and information, which are broken into 26 elements of competence, such as "establishing and maintaining the trust and support of one's subordinates". All 26 must be passed to win the qualification.

This makes NVQs useful for training unemployed managers returning to work, as they both ensure broad experience during brief work placements, and act as a guarantee to potential future employers.

A pilot scheme run by the University of Central England in Birmingham earlier this year succeeded in finding jobs for 13 of 20 managers who took NVQ level 4 in an intensive 15-week period. Most had been unemployed for more than a year, after amassing more than a decade's experience.

For further information contact: National Council for Vocational Qualifications, 0171 387 8888.

O

All walks of life

OPEN PROGRAMMES

The primary focus of open programmes - in which individuals come together from a variety of companies and business backgrounds - is to enhance individual development. By mixing with managers from other industries and other countries, taking stock of themselves in the company of others, experimenting away from the critical eyes of colleagues, individuals can gain in confidence and pick up new ideas which will augment their contribution when they get back to the office.

The downside of open programmes - particularly where the topic is general management - is reconciling the needs and interests of people with a variety of functional experiences. Teaching finance to non-finance specialists is easier than leading a course in these subjects if the audience includes, say, marketing, personnel and environmental managers as well as engineers

and accountants. Some sponsor involvement in the content of open programmes is possible, but a downside for some organisations is that the curriculum is largely outside their control. Open programmes have borne the brunt of management education cuts during the recession. Some business schools have contemplated pulling out of this market completely - but instead, for one, claims that many of its general programmes now have waiting lists.

P

High fees in the US

PRICE

Executive programmes at business schools can be phenomenally expensive. The one-week Human Resource Executive Program at Stanford business school in California costs \$5,000 including lodging; the flagship Stanford Executive Programme costs \$27,500, though that, too, includes lodging for just over six weeks on Stanford's beautiful Californian campus. Still, a two-year MBA at the same school will cost only about twice that (though without the lodging).

Programmes at less well-known schools tend to be correspondingly less expensive and in general European schools are somewhat cheaper than their US counterparts.

Management education comes perhaps most cost-effectively via the distance learning route - though even this is not cheap for a reputable programme. For example, The Competent Manager, a base course in the MBA offered by the Open Business School, costs \$2,350.

The costs of tailored in-company programmes are much more problematic. Generally, these are reached by negotiation. However, some suppliers argue that even though much more time is spent on developing in-company programmes and that they are not repeatable in the way open programmes are, companies are very reluctant to spend more (and often want to spend less) than they would on sending managers to open programmes. There has been some debate

about just how high charges for management development programmes can go before they meet market resistance. This concern is most marked on MBA programmes, where a significant number of participants pay their own way, rather than on programmes where companies pick up the bill.

Exactly how management development programmes are costed depends on the individual provider. But a glance through the various brochures on offer suggests that the fee to the customer is based more or less on adding inflation plus a bit for luck to last year's prices.

A buyer's market

PROVIDERS

In the fast-growing market of management education there is no shortage of providers. And as it is very much a buyer's market, those providers are having to work increasingly hard to tailor their courses.

Of respondents to last year's Institute of Management study - Management Development to the Millennium - 96 per cent said that academic institutions needed to become more responsive to the needs of industry and 88 per cent thought organisations would demand shorter courses that required less time away from work.

And the shift in balance from education being largely a company responsibility to the onus falling on the individual is creating further pressure for flexible providers. Karen Cole coordinated the research on the Millennium project. She says: "So many companies are saying that they are downsizing or delaying that really you are on your own. Employers can afford to sit back and take advantage of the well-trained individual."

Universities, business schools, management colleges, consultants and in-house training are the primary providers of management education.

Although business schools still rule the roost, there has been a big growth in independent providers. The Association for Management Education and Development has estimated that there are some 10,000 independent providers of training and education in the UK with a net income of about 1,000 a year.

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AN A-Z OF EXECUTIVE EDUCATION V

Q Debasing the currency

QUALIFICATIONS Qualifications are the currency of management training, but they are less fixed than they used to be.

For a start, there are more providers. The UK's higher education system has doubled in size in the last decade, and business studies is one of the most popular courses on offer from the "new" universities (mostly former polytechnics). Their mission is to help the local economies, with the result that many now attempt to offer high-grade training for middle managers in local companies, whereas previously there was a gap in the market.

Training in the workplace has been aided by the advent of National Vocational Qualifications, which provide a framework to chart the course of an employee's accumulation of experience. This means private providers and employers can now also have an input in awarding qualifications.

All providers are offering more technical "niche" management qualifications, and spreading towards the public sector - with certificates available for running legal firms, schools, or doctors' practices.

More profoundly, traditional training and education providers in old universities and business schools are changing the structure of their courses. They are becoming more flexible to suit customers, which means more "distance learning" - often using on-line technology - and evening classes. The fact that after rapid expansion the UK's Open University, a pioneer of open access learning, is now the largest provider of MBAs in Europe, demonstrates the trend.

R If growth is allowed for

RECRUITMENT AND RETENTION At a time when "jobs for life" are becoming less prevalent, training opportunities are increasing valued by employees who are aware of the need to demonstrate up-to-date skills to potential employers.

However, some businesses are concerned that by giving employees marketable skills, they risk losing their highest flying staff. This is often a problem if the employer fails to provide opportunities and challenges that allow employees to build on their skills.

A commitment to training is inadequate unless it is coupled with one to career development. However, the combination may play a powerful role in recruiting and retaining good employees. "Organisations that allow people to grow provide the right psychological framework to allow people to stay," says Gavin Barrett, marketing director at Sundridge Park, in Bromley, Kent.

It's hard to get back

RE-ENTRY The measure of success of an executive programme is how well the training can be put into action when the manager returns to work. But all too often, it is a difficult transition. A course may rapidly lose its relevance if managers return to desks piled with work, colleagues who think they have been on holiday and bosses who have a "not invented here" attitude to new ideas.

Many companies appear to show little interest in the outcome of a course. A survey by Sundridge Park found that fewer than 40 per cent of participants on management programmes had been debriefed by their line manager or human resources department following their course.

It argues that a failure by a company to cater properly for the re-entrant nullifies much of the benefit of the training. The problem can be particularly acute if senior managers do not give their personal backing to the success of a training programme. In cases where the chief executive "owns" the training initiative, organisations tend to get better results from it.

The difficulties of re-entry can also be eased if all the people working in a department or on a particular project receive the training. This concept of "vertically integrated" training is gaining ground with some companies.

The training provider can also have an impact on the re-entry problem. One solution is for the school to work with the company before the course to prepare the organisation to make full use of what the managers have learned when they return.

Follow-up sessions are another way of helping executives put their newly-learned skills into practice. Managers stay in touch with tutors who monitor their progress through action planning reviews, refresher and in-company projects. Cranfield, for example, organises a one-day follow-up event at the end of each general management programme.

S Games that people play

SIMULATIONS Simulations are viewed as a powerful learning vehicle because they expose users to the consequences of decision-making in a realistic but risk-free environment. Moreover, they are often used as a tool to promote team working.

The first business games were used in management education in the 1950s and 1960s. However, their growth has been rapid recently as a result of increased awareness, increased computer literacy, their cost-effectiveness and a wider range of available games.

Simulations range from outdoor exercises used to promote leadership, planning and teamwork skills to role-plays designed to develop particular interpersonal skills. Most simulations, however, are based on computer models, which allow participants to explore the consequences of business decisions against a particular industrial or commercial background.

Some companies use models based on their own business for training purposes. Harbridge House, a consulting arm of Coopers & Lybrand, has designed a simulation for General Electric which deals with questions of performance, capital expenditure approval and strategic direction by presenting real issues unfolding in time.

Since participants are learning about real-life management rather than analysing theoretical issues, they are expected to translate what they have learned more effectively in the workplace.

Special needs

SMALL AND MEDIUM-SIZED COMPANIES

Many owner-managers in ambitious small and medium-sized companies have a particular need for management education. While some acquired managerial skills at an earlier stage in

their careers, many are entirely self-taught and have few experienced managers within their organisation on whom they can draw for support.

Taking the time to undertake executive training can be difficult for owner-managers. But a number of courses, including those sponsored by the Training and Enterprise Councils, are designed specifically to fit their needs.

For example, Cranfield School of Management runs a business growth programme every year, which takes place on alternate weekends over four months.

The course, which costs £4,000, relates issues such as marketing, strategy, recruitment and delegating to the participants' own businesses and experience.

Warwick Business School also runs a Business Growth Programme aimed at owner-managers of growing companies. It consists of monthly workshops and consultancy sessions, running over a 12-month period. Its aim is to develop the "vision, strategic thinking and effective management skills" needed by the owner-manager or managing director of a small or medium-sized enterprise.

T Insular viewpoint

TAILORED PROGRAMMES In the drive for shorter, more cost-effective training programmes, companies are often keen to specify the content of training courses. A recent study undertaken by Ashridge Management College, based in Berkhamsted, found that just over half the companies it surveyed planned to use more programmes tailored to individual learning priorities.

The advantage of a tailored course is that they are designed to meet a company's specific requirements. For example, they are often used as part of an organisational change programme, where they provide an opportunity to change the corporate culture.

However, tailored courses may have disadvantages. Students do not meet their counterparts from other companies and they do not get a view of what happens outside their company.

Although companies may feel that they obtain greater value-for-money from tailored courses, they are not necessarily a cheaper option. Providers of training often believe that companies underestimate the amount of preparation they require.

Designing a course requires close collaboration between the company and the training provider. Cranfield, which provides in-company programmes through its Management Development Unit, researches programmes by interviewing senior managers and participants to establish their current level of knowledge and to understand how they view the issues. Sometimes, a course designer will shadow a business manager to get a greater understanding of the issues involved.

Cutback pressures

TIME In many companies, managers' workloads have increased to a point where their absence on lengthy training courses would put too much pressure on their departments.

These time pressures, together with the demand from companies for more focused training, are tending to lead to a shorter management development programmes.

A good example is a new six-day programme designed

by IMD in Switzerland called Orchestrating Winning Performance. To be held over a long weekend in late June/early July, the aim is to provide a complete overview of the school's latest research and allow participants to tailor their own learning by choosing from a number of optional sessions.

First steps in trainers

TRAINING CENTRES Many large companies have their own training centres where they organise in-house development for their staff. Courses range from induction for new employees, technical skills, inter-personal skills and developmental workshops as part of a programme of cultural change.

But at a time when organisations are concentrating on their core businesses and outsourcing peripheral parts of their operations, the role of in-house trainers is being questioned. Many companies prefer to go outside for relevant training, as and when it is required.

One advantage of using external suppliers is that it guards against excessive introspection. A training company or university should be able to benchmark a company's training needs, using its experience gained from a wide range of operations. Sending individuals on an open programme will have further advantages by exposing them to their counterparts in other companies.

But training centres are likely to continue to have a role. They are often the most efficient way of teaching large numbers of people technical and professional skills. In large organisations, in-house courses also have a role in promoting networking, building relationships and inculcating the company's culture.

U Fresh air therapy

UPHILL STRUGGLE

Outdoor management training can make a harsh contrast to the sedentary life of many managers, by exposing them to tasks such as raft building, emergency rescue and night search exercises. Enthusiasts argue that it presents more than just a physical challenge: it introduces people to new experiences, it builds teamwork and imbues a sense of achievement.

Such courses are popular, although they have been affected by budgetary restraint and the emphasis on concentrating on an organisation's specific training needs. A survey last year by the UK's Industrial Society found that 35 per cent of respondents use such courses extensively or occasionally.

About 40 companies in the UK provide adventure programme training for organisations seeking to develop teamwork among their managers.

Manchester Business School, for example, offers outdoor leadership courses, based in the Lake District, as an optional part of its company programmes. "Leadership activities provide additional opportunities for course members to test and extend their individual skills in planning and carrying out group tasks in an unfamiliar environment," it says. "Personal development is a frequent by-product of this challenging opportunity."

A frequent criticism of outdoor training programmes is that participants find it hard to transfer the skills they learn to the workplace. Many courses spend more time discussing the outcome of the outdoor

activities as doing them. Sundridge Park, for example, organises a leadership course in which one and a half days is spent outside and three days in the classroom.

Another aspect of outdoor training programmes that has come under criticism relates to courses that encourage rivalry between teams. Psychologists argue that courses that emphasise competition between teams can be counter-productive because they have a demoralising effect on some participants.

V Subjective drawbacks

VALUE-FOR-MONEY

The benefits of training programmes that aim to teach a specific set of skills can often be assessed relatively easily. But management development programmes, which equip executives with the skills and mind-set they need to deal with future issues, can be more difficult to evaluate.

Broader issues such as customer satisfaction, international communications, staff retention or a fall in absenteeism - which may have been a specific aim of the programme - are also monitored in the wake of a programme.

Inevitably, however, the assessment of a programme contains a large element of subjectivity. An assessment of its value is also complicated by the importance of the role played by the company in making use of what was learned in the course.

W Other sex kept out

WOMEN Women-only training has expanded rapidly in recent years, as a result of concern about the small number of women breaking through into senior management positions.

Numerous independent consultancies are now providing in-house women's courses for organisations as well as external programmes of varying duration. Cranfield, for example, runs a Women Managers Programme for British Telecom, which introduced it for its women managers.

Among the longest-established of the open programmes is the Industrial Society's Pepperell Unit development course for women. This week-long residential course looks at how organisations work, career assessment and planning, understanding financial information, team building, communication, equal opportunity issues, stress management and presentation. Fees for non-members are about £2,400.

The case for women-only courses is that they can address some of the issues that hamper female managers in their attempts to reach their potential. The absence of senior female role models, stereotyping, sex discrimination and concerns about children, domestic responsibilities and partners' careers are issues that are rarely raised in mixed-sex groups.

However, some women argue that such courses are condescending and possibly counter-productive. A recent study by City University Business School into why so few women attend management education programmes found that only 20 per cent of the women surveyed wanted courses on gender issues for women only.

Sceptics argue that there are inherent dangers in separate provision, not least of which is the risk of marginalising women. They believe that

women-only training should be seen as an adjunct to, rather than a substitute for, more traditional organisational and occupational training.

X Universal cure-all

X-FILES Are there any managers who should not receive executive training? Employees do not always enjoy or benefit from training programmes. But often it is the fault of the programme, rather than the manager.

For example, the T-Group sessions which came into vogue in the 1960s and are now out of fashion, attempted to improve managers' sensitivity and self-awareness. However, they often exposed people to criticism that was more than they could take.

Outdoor training techniques have also proved counter-productive with some employees, in the hands of insensitive trainers. Participants can end up feeling demoralised and bullied by being asked to undertake challenges they find threatening.

Another group of employees do not respond to too theoretical an approach. Seminar programmes that are entirely composed of speeches and which offer no interaction with the participants can leave managers feeling frustrated and bored.

However these problems are usually confined to badly-managed courses. More commonly, management development is seen in a positive light by the employee: as a "reward" for good performance and as an expression of the company's confidence in his or her future.

This perception can cause problems with people not singled out for management education. Colleagues may feel

alienated or even threatened if they are excluded from a programme. For that reason, companies that are trying to undergo fundamental cultural change often offer training programmes throughout their organisations.

Y Age cannot wither them

YOUTH Typically, organisations use in-house programmes for the induction and early development of young managers. Only later in the managers' careers will they be sent on external programmes to broaden their experience.

Currently, most management training is focused on people in their 30s and 40s. Managers are expected to acquire a substantial body of experience in order to make best use of a development course. Moreover, executives are usually in their 30s and 40s when they have to acquire managerial skills.

But there are signs that management education may extend its reach to older executives. The competitive pressures and the pace of change facing organisations are forcing employees to become more adaptable and acquire new skills at all stages of their careers.

Z A final definition

ZOMBIE A zombie is what you turn into after hours of study, unless you pace yourself.

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The OJ Simpson trial, which has become a national obsession in the US, could become a footnote in the textbooks of technology alongside its guaranteed place in legal history.

Although unlikely to be used in evidence at the trial, a computer-generated hypothetical re-enactment of the killings has been produced by a California company. It is believed to be the first time the technology has been used in connection with a murder trial.

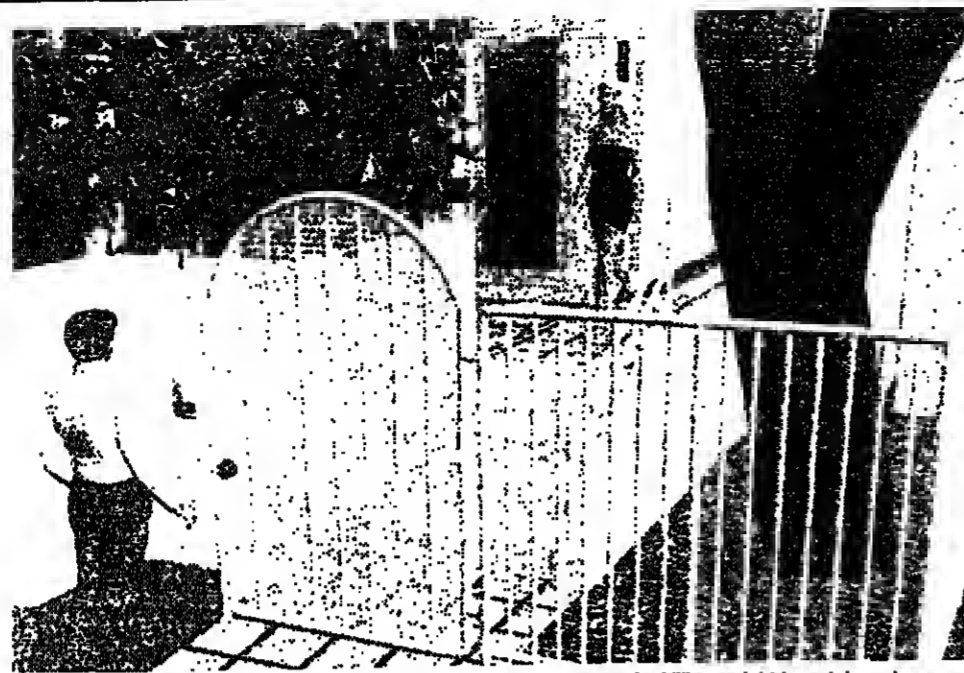
Every scrap of evidence from the hearing into the murders of the former American football star's ex-wife Nicole Brown Simpson and her friend Ronald Goldman has been analysed and debated in gavel-to-gavel television coverage.

Outside the courtroom, however, dramatic details of how the killings might have taken place are revealed in a computer-generated simulation of the murders created by Failure Analysis Associates FaAA, a California high-tech company which produces computer simulations for use in litigation and risk assessment.

Using "forensic animation" techniques, FaAA began by collecting exact measurements at the crime scene and combed through evidence presented in the pre-trial hearings searching for every available detail. These data were used to create a computer model of the crime scene.

FaAA staff then took the roles of the assailant and victims in a re-enactment of the crime, following directions from the company's world class biomechanics experts. Computer sensors attached to the actors' bodies recorded their every movement. The sensors provided digital spatial information used to create animated computer personas. The company says the result is a scientifically accurate visualisation of the murders.

Although the same computers and software used to produce this animation are also used to create special effects for films and television programmes, all suggestion of entertainment has been eradicated: the FaAA animation has



The computer simulation of the Simpson-Goldman murders shows how the killings might have taken place

Model justice

Tom Foremski and Louise Kehoe witness one version of events from the OJ Simpson trial

no graphic depiction of wounds or blood, and figures in the scene are featureless, yet frighteningly realistic. The three-and-a-half minute sequence shows a figure representing Nicole Brown Simpson walking down the steps outside her Brentwood, Los Angeles, home to let Ronald Goldman into a fenced porch area.

They stand on the steps talking, when suddenly a figure hiding behind a wall springs out, hitting the male figure on the head and throwing him to the ground, then quickly hitting the female figure and knocking her unconscious.

The assailant lifts the male figure, holding him from behind, and makes cutting and stabbing motions. He then turns his attention to the

female figure, lifts her in the same way and similarly stabs her with a knife. "We believe that this sequence is the only one possible because of the narrow confines of the murder scene, the final resting place of the bodies, and the injuries and other evidence found at the scene," says Roger McCarthy, the FaAA chairman.

He adds that the simulation indicates there was not enough room for two assailants to attack the victims, challenging a defence theory that it would have taken more than one attacker to inflict all the wounds found on the victims.

Whoever committed the murders must also have been very strong, according to McCarthy. "The fatal wound to Nicole Brown Simpson's neck, in par-

ticular, would have required tremendous force," he says. "There are parallel cuts on Goldman's neck and there are deep, but not fatal, stab wounds on Simpson's neck that were clearly made to terrorise and torture the victims."

FaAA's biomechanics experts believe that the wounds were inflicted by the assailant while he held each of his victims from behind with his left hand covering their mouths.

The computer simulation of the Simpson-Goldman murders was created for a new cable television show called Coet Central without any direct contact with prosecution or defence lawyers. It seems unlikely, therefore, to become part of the evidence in the Simpson trial.

Computer simulations have,

however, been used in hundreds of civil trials in the US over the past few years including cases involving car or aircraft crashes, fires, explosions and other disasters. FaAA, for example, simulated the voyage of the Exxon Valdez which ended in a huge oil spill in Alaska.

However, forensic animation is rarely used in criminal trials. This is a matter of cost, rather than any legal constraint. Few defendants can afford the tens or hundreds of thousands of dollars that it costs to produce a complex simulation.

Constructing the Simpson-Goldman murder computer simulation cost about \$300,000 (£197,500) and took 23 experts almost five weeks.

Under US Federal laws, animations are admissible as evidence under the same rules that apply to other forms of graphic material - they must be relevant and accurate. Typically, simulations are used to illustrate the testimony of an expert witness.

"Animation makes complex technical situations easier for a judge or jury to understand," says David Weinberg, a lawyer and national director of litigation services for Engineering Animation, a producer of computer simulations for legal cases.

Some legal scholars are concerned that flashy, digital presentations could mislead jurors who fail to question the underlying theory behind a simulation. However, Weinberg maintains that jurors are as sceptical of evidence displayed on a computer monitor as they are when it comes to any other type of presentation.

He points out that it is up to the opposing counsel in a trial to "probe and question a simulation, and present it for what it is - somebody's theory on what happened".

As the cost of computer power continues to fall and the sophistication of imaging software to increase, it is clear that computer simulations will play an increasingly important future role in the justice system.

Bank forges a new approach to fraud

Andrew Jack examines the various design changes to the latest French banknote

For a country to introduce more sophisticated elements into its banknote design in the fight against fraud seems logical. For it to publicise widely the techniques it employs seems at first rather more paradoxical.

Yet earlier this month, the Banque de France did precisely that. Unveiling the FF500 (approximately £63) note now coming into circulation, it also distributed posters, booklets about the design and colour photographs of the note which magazines and newspapers were authorised to reproduce.

The tactic illustrates that the nature of banknote forgery has changed so radically that circulating copies of the designs makes no difference; and the most effective line of defence against forgery is to improve early warnings from those who receive the notes.

The Bank of France started taking a new approach to anti-forgery designs two years ago with the FF500 note. This has been followed, with additional features, on its FF500 counterpart, which will in turn be followed as the intermediate value banknotes are changed over the next three years.

Some of the earliest changes to banknote design in the 19th century were inspired by anti-forgery policies. Since then, traditional banknote design has aimed to outwit forgers by the use of elaborate patterns which can never be entirely accurately replicated.

However, the advent of

colour photocopyers over the last few years has changed the forger's approach. As a result, the Bank of France's new note contains several "anti-photocopyer" features.

In addition to the long-standing use of watermarks and the thin metal strip that runs through the paper, the design includes on the surface a thick, discontinuous strip of aluminium - shiny to the eye but which reproduces as black when photocopied.

Similarly, the principal colour on the note - a blue-green - looks nearer to blue on a photocopy. The continuous printed coloured lines that make up much of the design reappear on a photocopy as a tight series of dots, while there is also a quotation in typescript too small to reproduce. The banknotes also use "intaglio" printing which raises the ink above the paper to produce a tactile effect.

In common with a number of other central banks, the Bank of France buys security ink that is not commercially available. A symbol on the new note is printed using this "optical variable ink", which appears green when seen from one angle and blue from another.

Another symbol on the note is printed in colourless fluorescent ink, which reacts under ultra-violet light, while other parts of the design disappear when examined by infra-red light. Some of the numbers on the note are also printed in magnetic ink.

Finally, the new note has a symbol which is only partially reproduced on each

side of the note, and which is only complete when held up to the light to connect the two designs. To forge the note would require extremely accurate printing on both sides to ensure the complete design is perfectly aligned.

By highlighting these measures the Bank of France aims to ensure the public, shopkeepers and others handling money are able to detect forgeries easily.

While regulations require banks and other financial institutions to seek out signs of money laundering, no such law exists for forged notes. Instead, there is a far more effective measure: the Bank of France simply refuses to accept forgeries from banks, giving a strong incentive to check notes scrupulously.

On the other hand, there are other even more secret features on the new notes which officials will not reveal. They have also been working with colour photocopy manufacturers to ensure there are subtle ways to trace copies - and hunt down forgers.

Despite all the efforts, there is little sign yet of forgery abating. Few statistics exist, and those that do are closely guarded. Yet some officials privately suggest there are several forged notes in France for every million in circulation.

All the effort put into special techniques has also on occasion detracted from the basic design. On the FF500 note, featuring Antoine de Saint-Exupéry, the aviator and author, there is an acute accent on the first "E" of his surname, which does not belong on capital letters.



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Holding back old age

Victoria Griffith on the benefits of a natural drug

DHEA, an anti-ageing hormone, is gaining some respect in the scientific community after years of being disparaged as an unrealistic "fountain of youth" drug. The US National Institutes of Health dedicated \$1m (£625,000) in research funds to the drug this year and says it may soon increase that amount. And the New York Academy of Sciences has scheduled a national conference on the hormone in June.

DHEA, dehydroepiandrosterone, may have the power to help an old body to function like a young one, say its supporters. The steroid hormone, created in vast amounts by young humans, begins to wane

when people reach their late 20s. At the age of 80, most people have just 5 to 10 per cent of their peak level of DHEA.

Scientists believe this decline may be partly responsible for the frailty that comes with age. If DHEA is boosted in the body, they theorise, the elderly may be able to confront infections and diseases with more youthful vigour.

"DHEA could be used in a similar way to oestrogen therapy in post-menopausal women as an overall health treatment," says John Nestler, a University of Virginia professor. Scientists believe the drug may be effective in battling age-related illnesses, including cancers and pneumonia.

Because the drug is a natural hormone and therefore hard to patent, it may have difficulty attracting the attention of pharmaceutical groups. "One reason more people haven't jumped on DHEA is that there are problems in protecting its patent rights," says Nestler.

Hormones can be patented for specific use, however, and research on the steroid is now being focused on precise treatments.

While it may not be the fountain of youth, scientists hope DHEA will eventually be used to strengthen the elderly's resistance to disease. If they succeed, the hormone could become an important general health drug.

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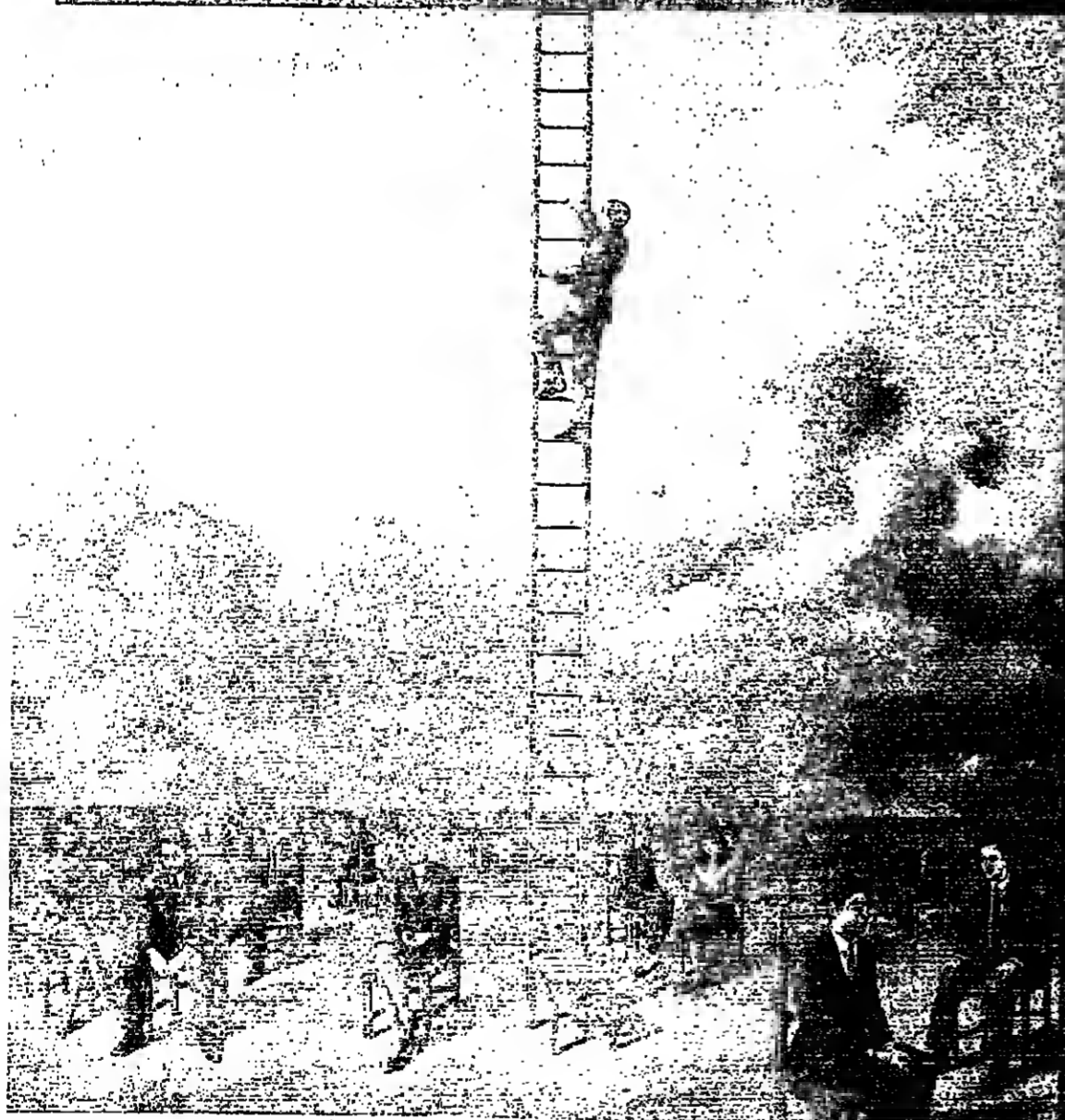
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BUSINESS AND THE LAW

INTERNATIONAL PEOPLE

New chairman for Arco

■ Mike R. Bowlin, 52, president and chief executive of Arco, takes over as chairman in July from Lodwick M. Cook. Cook, 66, will remain a director and Bowlin continues as CEO.

■ Timo Peltola, president of Huhtamäki, to chairman of Unitas, the Finnish banking group which recently merged with Kansallis-Osake-Pankki.

■ Paul Castellani, 58, steps down in May as chairman of BP France. Michel de Fabiani, 49, chief executive of BP France, becomes chairman.

■ David C. Winn, 45, former general manager of American Express Bank (France), to general manager of IBM's personal computer business in Europe, the Middle East and Africa. He succeeds Donald R. Friedman who is returning to the US as strategy director for the IBM Server group.

■ John Coomber, 45, chief executive of Swiss Re (UK), Stefan Lippe, 39, chairman of Bavarian Re, and Bruno Porro, 49, deputy head of the Latin American/Spain/Portugal department, have joined the executive board of Swiss Re, the world's second biggest reinsurance company. Peter Frey, 62, joint head of group division reinsurance, has retired and Wolfgang Gemünd, head of group division insurance, will leave Swiss Re following the sale of its insurance business.

■ Franz Nendek, 50, chairman of Hannover Papier, to be chief executive of Sappi Europe, the European arm of the South African paper group, from 1 May. He will join the Sappi board in Johannesburg.

■ Jean-Marie Descarpentries, chairman of Compagnie des Machines Bull, has replaced former Bull chairman Bernard Pache on the board of France Telecom.

■ Juhani Yli-Paavola, 60, chief executive of Metsä-Botnia Group, has joined the management board of Metsä-Serla, the Finnish forestry group. Ari Antsalo becomes head of a new printing papers division.

■ Gay Evans of Bankers Trust International, is chairman of the International Swaps and Derivatives Association (ISDA) for a second term.

■ Peter Somaglia, 45, replaces Ernst Funk as head of Swissair Cargo. Funk has become head of Market Intercontinental.

■ Michael P. Connors, 39, a senior vice president of American Express Travel Related Services, to senior vice president and human resources chief at Dun & Bradstreet.

■ Baron Jacques has retired from the boards of Rothmans International and Rothmans International NV.

■ Alfred Heinkel to chief executive of Papierwerke Waldhof-Aschaffenburg (PWA), the German subsidiary of Svenska Cellulosa, Europe's largest forestry group.

■ Peter Thorne, acting chief executive of Ames Department Stores, to chief financial officer of Bradlees, the US discount department store group.

■ Paul van der Wel, 50, head of McCain Group's European business, has joined Goodman Fielder as chairman of the executive board of Meneba NV, its European Foods operation.

■ Charles A. Hinrichs, chief credit officer for Boatmen's National Bank of St. Louis, to treasurer of Jefferson Smurfit Corporation.

■ Glenn F. Tilton, to senior vice president of Texaco Inc.

■ Anthony H. Ransom, 48, vice president exploration at Homestake Mining, to chief executive of Amarado Resources in Toronto.

■ Kenkichi Nakajima, general manager of Yamaichi Securities' financial institutions department in Tokyo, replaces Tokuo Ukon as chief executive of Yamaichi International (Europe). Ukon becomes head of the international planning department. Noboru Aiba, general manager international business department, becomes president Yamaichi International (America).

■ Jacquie Perryman, previously vice president of Arista Soundtracks, to senior vice president of PolyGram's new Soundtrack division in Los Angeles.

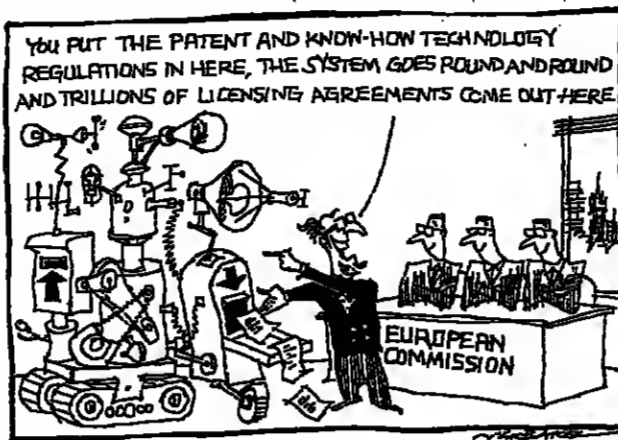
■ Simon Kenny to vice president and managing director of Buena Vista International Television, the sales and distribution arm of Walt Disney Television International (WDTV-I). He was formerly at Young and Rubicam Europe.

International appointments

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New tangle for red tape

Plans to ease EU rules could hit competitiveness, says Robert Rice



The block exemptions set out a list of things companies can include in their agreements without falling foul of the competition rules, and a blacklist of conditions which are not allowed. Provided an agreement contains no blacklisted conditions, a company can assume it is exempt without having to notify Brussels. Agreements with blacklisted conditions or where there is some doubt still have to be notified to the commission.

Not only can markets change from day to day, but defining the relevant market can be difficult

On the whole the system worked well. Before 1985 there were about 100 notifications each year, but in 1985 itself just 12 agreements were notified. However, when the commission came to consider the technology transfer block exemption it decided to introduce a market share threshold test to determine whether an agreement can be included in the block exemption. It is this proposal which has upset industry.

Under the proposed new regulation, a licensee company will not be able to take advantage of the block exemption if it has a market share of 40 per cent of the geographical or product market. Neither will it qualify for the block exemption

if it has a market share of more than 10 per cent and is operating in an oligopolistic market - one where three or fewer companies together have a market share of 50 per cent, or five or less companies have more than two-thirds of the market.

In addition, provisions which give exclusive territorial rights to both licensors and licensees will not be exempted if the licensee has a market share of more than 20 per cent. Market shares have to be assessed when the agreement is concluded and if the thresholds are exceeded the agreement will have to be notified individually to Brussels to obtain an exemption.

The commission can see little wrong with this proposal. But businesses say that very few will know their market share at any given time. Not only can markets change from day to day, defining the relevant market is notoriously difficult, they argue.

"If I bring out a new anti-cancer drug aimed at cancer of the prostate, it will be 100 per cent of the market for that particular drug. But it might be only 20 per cent of the market

for all cancer drugs. It's a very movable feast", says one industrialist.

The net result, they say, is that rather than risk having their technology licensing agreements ruled unlawful, they will refer them to the commission for individual exemption. Just how many agreements would be notified is not clear, but the commission was taken aback by suggestions from the business community that some big pharmaceutical companies might each notify up to 100 agreements each year.

A recent survey of French companies suggests the commission could expect up to 900 notifications from France alone every year, yet the commission has made clear that it has no new resources to devote to handling these notifications.

According to Mr Christopher Bright, a partner at the City firm of Linklaters & Paines, the bigger danger of this market share threshold proposal is that it will harm EU competitiveness. He says that if you contrast the commission's proposal with the recent US guidelines on antitrust and intellectual property it soon becomes clear that the US regime has significant advantages over the EU's. Although the US regime includes a safe haven for agreements where the licensee company has a market share of 20 per cent or less, there are significant differences between the two.

In Europe, all anti-competitive agreements are prohibited, which means companies must seek an exemption. However, in the US, companies can take a view that their agreements escape competition rules even if they are outside the 20 per cent safe haven on the basis that the restrictions on competition are not unreasonable.

Mr Bright says the US guidelines set out a policy and this provides greater certainty, and adds that many European businesses may be tempted to take advantage of that.

Industrialists agree with that view. One businessman remarks: "If the commission persists with its proposal then given the choice I would rather license a US company in the US to manufacture the product in the US and then sell it into Europe. Licensed manufacturing is going to move out of Europe. The European consumer will still get the benefit, but European industry in general will suffer."

Ruling on trade in narcotics



EUROPEAN COURT

The European Court of Justice last week ruled on European regulations applicable to trade in narcotics for medical use covered by the 1961 Single Convention on Narcotic Drugs, in response to questions from the High Court in London.

The questions arose in a judicial review brought by Evans Medical and Macfarlan Smith against the home secretary challenging an import licence granted Generics (UK).

The narcotic was diamorphine, an opium derivative used medicinally as an analgesic. Diamorphine is covered by the 1961 convention applicable in the UK and the EU.

Until 1982 UK policy prohibited importation of diamorphine. Macfarlan had the exclusive right to manufacture it in powder form from concentrated poppy straw imported from non-EU states, and Evans had exclusive UK processing and marketing rights. The practice was justified by the need to avoid illicit trade and ensure reliable supplies.

The home secretary rejected an application by Generics for an import licence. But in judicial review proceedings he accepted his refusal was not justified under Rome treaty free movement of goods rules.

The home secretary informed Evans and Macfarlan in August 1992 he had authorised Generics to import a consignment from the Netherlands, explaining past policy impeded intra-community trade. He said reliability could be guaranteed in compliance with European law via introduction of a tendering scheme.

Evans and Macfarlan challenged the validity of his reasoning. They argued the free movement rules did not apply to narcotics because of treaty rules safeguarding rights and obligations arising from the 1961 Convention. Even if they did apply, exceptions justified refusal of an import licence.

They also argued the home secretary should have satisfied himself the new tendering system could be implemented, that it was compatible with the convention and that it made it

possible to ensure continuity of supplies of diamorphine for the National Health Service.

Rejecting the Commission's claims that the High Court's questions were irrelevant, the court said they should be answered so the national court could determine whether the change in national practice was necessary to ensure compliance with European rules.

The home secretary had decided prohibiting imports contravened European law since reliability of supplies could be guaranteed within the framework of the public supply contracts procurement directive. On the basis of the ECJ's replies to its questions the national court would have to decide under its national law whether his decision should be set aside for error of law.

The Court ruled free movement rules applied to national practices prohibiting narcotic drug imports. Treaty rules on international agreements before UK accession, could not prevent application of those rules unless the practice was necessary for the member state to comply with obligations to non-member countries.

But it was for the national court to determine the obligations imposed and their effects, in particular, whether quota allocations were required by the obligations and whether allowing imports would make sufficient controls impossible.

Free movement exceptions did not permit import controls to safeguard the sole licensed manufacturer's viability. But they might apply if public health required reliable diamorphine supplies and there were no measures less restrictive of intra-community trade.

The Court also ruled Community legislation applicable to awarding public contracts permitted bodies to award supply contracts on the basis of the tendering firm's ability to guarantee reliability and continuing supplies in determining the most economically advantageous tender.

C-324/93: R v Secretary of State for the Home Department, ex parte Evans and Macfarlan; Interenergen Generics, ECJ PC, March 28 1995.

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ARTS

Ballet / Clement Crisp

A joyous revival in Copenhagen

Lovers of Bournonville's ballets – those ancestral treasures of the Royal Danish Ballet – always lament the fact that so many of his works have been lost. He produced more than 30 works during his half-century (1829-1879) as ballet master, dancer and teacher in Copenhagen.

Of these, the Danes have kept half a dozen full-length pieces in continuing performance since their creation, together with a few shorter ones. They provide a portrait of a man whose dance genius still potent, still communicative of a joyous delight in movement, a sterling sense of style, and a moral integrity that saw art as a guide to man's highest aspirations.

Our view of him is necessarily partial, since ballets significant in their time – historical dramas; tales rooted in Nordic mythology – have fallen from the repertory.

Latter-day attempts at "reconstruction" have been well meant but less than likely, as we saw with stagings of the long-lost epic *Lay of Thorm*, and *Abdallah*. What audiences adore and want is more of Bournonville as provider of joyful dance and no less joyful drama.

Now, splendid to report, an *echt* Bournonville work has been rescued and revived. Last week the Royal Danish Ballet gave the first performance in 60 years of *A Newspaper Courtship* – a part of which is known to us as *The Conservatory*.

This latter is a hallowed Bournonville fragment, a scene

set in the Paris Opéra dance studios of the 1820s, where Bournonville learned to dance under the tutelage of the greatest teachers of the age. His training – that elegant French schooling – was the basis of his later achievements as a pedagogue, and his style, the Bournonville school we see today, is still shaped by that instruction.

The Conservatory or *A Newspaper Courtship* was made in 1849 as a ballet-vaudeville, the happiest of comedies. It told how the director of the Paris Conservatory, M. Dufour, decides not to marry his housekeeper, Mlle Bonjour, and instead advertises for a bride, whom he will meet at a restaurant at St Germain en Laye.

How his pupils contrive to trick him by dressing up as prospective brides, and how everything is happily resolved, is the matter for two acts of the most charming, sunny dance and mime.

How the ballet has been restored to the stage is a no less happy, and characteristically Royal Danish, story. The Danes (unlike certain companies nearer home) know that dancers as they age become valuable as teachers, mime artists, exemplars of past traditions and values. So the Bournonville repertory has always been enriched by mime, by small dance roles, that are gloriously performed by artists no longer able to bound with youthful joy through the most exacting steps. Respect for dramatic playing has always been part of the Royal Danes' identity.

I reported last year on Niels Bjørn Larsen's jubilee performance – aged 80 – as a grand Coppélius. And it is Larsen who is one of the rescue team for *The Conservatory*, together with his daughter, Dinna Bjørn, and the eminent dancer and teacher Kirsten Ralov.

The Conservatory was last seen in its entirety in 1934, when Larsen appeared as a waiter (but had his eye on the role of M. Dufour) and Kirsten Ralov was the little girl whose aspirations to become a dancer are part of the plot. Together they have now restored the lost second act and the dramatic scenes which frame the celebrated classroom sequence in Act One.

Their task might seem formidable after 60 years, but continuity of Bournonville performance by the company, the living example of how dramatic scenes must be given in other Bournonville works, and the Danish Ballet's respect for its own traditions, mean that *The Conservatory* as I saw it last week has an authentic "feel". This is not a dinosaur reconstructed from one vertebra – however careful or loving in restoration – nor an approximation. It is the real and splendid thing.

The narrative is happy, the dancing bright, the playing flawless.

Chief praise must go to Tommy Frisbol as M. Dufour – pompous, vain, wholly credible and wonderfully engaging. No less praise for Kirsten Ralov as Mlle Bonjour. Forty years ago, when I first saw her, Mlle Simone was the loveliest young dancer in the company.



Respect for dramatic playing: Heidi Rym in the celebrated classroom scene of 'The Conservatory'

She is beautiful today, and her dramatic skill – the subtle shifts of emotion; the pouts and mock fainting and upbraids and sweetness of character – give the role a wonderful richness of feeling.

The rest of the company are entirely at ease in the comedy as they are in the dancing. Lloyd Riggins, as leading dancer and inspirer of intrigue, pulls off a delicious Charley's Aunt impersonation and Lis Jeppeson is no less merry

as a masked beauty.

But joy, as so often with Bournonville, fires every step, every action. It touches, subtly, the work of Johan Koborg as a soloist in the hallowed classroom sequence. This young artist provides dancing as near perfect as we are meant to see in a Bournonville ballet: he shows us the old master's *joie de vivre* and *joie de danser*.

The ballet has been fetchingly designed by David Walker: his café terrace at St

Germain an especial pleasure. The score by Paull contains a couple of nice touches: the overture is much given over to Weber's *Invitation to a Dance* – and rightly so – and also quotes a Chopin waltz.

The Conservatory is the nicest of gifts to the dance world and should not be missed. It will be in repertory this season in Copenhagen, and on view in Paris in September.

The Danes were also showing the staging of *Giselle* made

by their director, Peter Schaufuss. The production seeks, and finds, dramatic logic while properly respectful of Romantic convention.

It looks good in Desmond Heeley's designs, and is played with the right emotional fervour by its cast: I was moved by Rose Gad's mad scene, which showed Giselle inexorably driven to suicide, and by the coherent presentation of the first act tragedy.

Royal Theatre, Copenhagen.

Defence of criticism

Alastair Macaulay replies

The playwright Simon Gray, whose West End play *Cell Mates* closed following the disappearance of its leading actor Stephen Fry, has added to the debate on criticism. In a letter to the *London Evening Standard*, Gray said that Fry cited reviews as a reason for his sudden departure.

"He felt personally humiliated by some accounts of his own performance, most particularly by one in the *Financial Times*," the letter said.

My words about Fry were: "It must have seemed an especially astute stroke of surprise casting to have Stephen Fry play the spy. Fry is the all-time façade; so damnably English on the one hand, and so perplexingly inexpressive on the other. Watching a façade, however, is not a lot of fun in the theatre. You watch all those unyielding and unbending cubic feet of Fry's great body, and you listen to that snare, clinkable, heartless basso profundo voice of his, and time passes very slowly."

No review can adequately reflect the complex nature of a work of art, but the effort to achieve that adequacy is the aim of the critic, and is what gives a critic's trust pleasure in work. Ironically, it was on Fry that I came nearest to capturing adequately my feelings about the evening.

I wrote not for Fry – who shortly before opening night suggested that he had reached that point of wisdom when an artist no longer reads his reviews – but for the readers of the *Financial Times*: those who had seen the play, those who might consider seeing it, and those who, without ever seeing it, wanted informed opinion (or opinionated information) about it. Having read none of Fry's books and having seen next to nothing of his television work, I bore no animus against him.

Fry has spoken of critics who set out to hurt feelings. If they exist, I try not to rank among them. Hurt feelings and injured friendships are, sadly, an occupational hazard. But I prefer the pursuit of rigorous criticism to that of some mutual appreciation society. No one was forcing Fry to appear on a West End stage – where he turns where he receives worse stonings. His disappearance from *Cell Mates* was an act more irresponsible than any of his reviews.

If Fry had ended his life, as was feared at one time, the news that my review had done most to make him feel "humiliated" would have caused me immense pain; and his reaction to these reviews continues to cause me no small perturbation of spirit.

The terrible truth, however, is that I would not unwrite my review if I could. And Gray's letter leaves the reader in doubt. Does Fry feel that my words humiliated him by being more malicious than any other reviewer's? Or by being more judicious? Sometimes critics are right – this is another occupational hazard – and sometimes it is this truth that artists cannot bear.

Elegance written in stone

The Henry Moore Institute in Leeds is celebrating the work of British sculptor Stephen Cox with an elegant and carefully chosen exhibition of some of his most recent work, shown in conjunction with pieces from earlier in his career.

Cox has long been fascinated with stone and the history of stone carving and modelling, and this desire has led him to spend time working abroad. His first residence abroad was in Italy from 1979; he then worked in India from 1985 and was most recently in Egypt.

Invited there in 1988, Cox was given permission to extract stone from the Imperial Porphyry Quarries in the Eastern Mountains to make a work as a gift from Britain to Egypt for the opening of the New Cairo Opera House. He was the first sculptor since antiquity to have had access to the quarries.

Since then he has been exploring the possibility of extracting stone from the quarries of Chephren, builder of the second of the Great Pyramids, whose funerary statues were the last to use the diorite Cox now wishes to use again.

Cox loves the challenge of supremely hard stone, and his mastery of it is well demonstrated at Leeds by the dark crimson imperial porphyry of "Chrysalis" 1988-91, from the Tate Gallery Collection, and the huge green "Interior Space" 1985, in Hammamât breccia, specially made for the show.

This piece, a hollow cube more than head high, occupies almost the whole of

one of the galleries. Its rectangular form, smoothly polished on the walls, left rough on the top, is pierced on one side by a narrow slit, the stone from which lies like a marker on the ground in front of the dark entrance it has opened into the shadowy interior.

Peering in to this silent space is briefly evocative of all those burial chamber fantasies sprung from the faded pictures of Howard Carter opening Tutankhamun's tomb. The mystery here, however, is that of the stone itself, its gleaming green surface at once impenetrable and infinite.

Cox was born in Bristol in 1946 and trained first at Bristol and Loughborough and finally at the Central School in London from 1966-68. His work then was minimalist, exploring grid-like structures in installations and repetitive rectangular elements in metal, wood-based pieces.

In the 1970s, his work began to show a preoccupation with surface, explored both in paintings using varied materials such as zinc or lead primer or red oxide and in sculptures made of cast plaster or cement in simple rectangles shown leaning against the wall singly or in groups.

Examples of these are included in the Leeds show. Its carefully considered juxtaposition of old and new work makes clear that whether individual pieces are described as "painting" or "sculpture" one of the principal concerns of Cox's work has always been surface, whether this be the dense simplicity of plaster or concrete or the polished patina of porphyry.

The exhibition does not show Cox's exu-

berant work of the early and mid-1990s. Then, first living in Italy, he experimented with relief carving and also made wall-based narrative or figurative pieces.

His move to India brought a new material – black granite, sometimes annotated with oil – into his repertory, and gave him access to a new realm of mythology and a different approach to the human figure.

In each location Cox has undergone a learning process, open to the culture of past and present, experimenting and combining both in work which can be personal, and often playful, as well as monumental. His travels have also allowed him to explore working methods, learning traditional techniques from the teams of local carvers who have assisted him, especially in India and Egypt.

To point this out is not to seek to undermine the premise of the Leeds show, but rather to agree with the point it seeks to make: that Cox's latest work is his strongest, his most mature, precisely because it succeeds most completely in combining the ancient traditions of the art of sculpture, which for centuries and in all cultures has embodied humanity's need to make images for contemplation, with the modernist recognition of the significance of pure form.

Lynn MacRitchie

Stephen Cox: Surfaces and Stones of Egypt. The Henry Moore Institute, 74, The Headrow, Leeds LS1 3AA. 0113 234 3158. February 16-May 8.

Theatre / Alastair Macaulay

Trainspotting misses

It is always a curious spectacle when an exercise in social and/or psychological realism turns into a display of theatrical style – becomes, indeed, a form of exhibitionism.

Last year, Tom Courtenay's award-winning solo performance in *Moscow Stations* was actually less about its subject – a Russian alcoholic in decline – than about the art with which it was delivered. "What a performance!" everyone said, rather than, "What a theme!" It is surely no accident that *Trainspotting*, Harry Gibson's stage adaptation of Irvine Welsh's 1993 novel, has the same result, for it shares with *Moscow Stations* the same director, Ian Brown.

Much of *Trainspotting* is certainly entertaining. An account of drug culture in the seamy side of modern Edinburgh, it keeps up a strong supply of smutty/dirty/shocking anecdotes designed to appeal to the ghoulish/squalid adolescent side of its audience.

The genteel side of Edinburgh is hardly mentioned; a fleeting reference to the first

day of the festival and little more.

Swear words proliferate. Gritty Scots humour abounds. The mentalities of drug addicts are vividly articulated. Gradually, however, the mood darkens until the most horrific episode – a man injecting heroin into his own penis – which can only appal.

But this works on us less as theatre than as reportage. Whatever the merits of Welsh's novel, Gibson has not made it into much of a play.

Sometimes he attempts to preserve features of the fictional method – *Character A*: "Stay cool, man"; *Character B*: "– says Johnny"; and so forth – in the ironic style that has been so wittily perfected in the adaptations of Giles Haverall (*Three Men in a Boat*, etc), but the irony has little effect on us here. (Again, the resemblance is surely no accident. Haverall is a house writer/director at the Glasgow Citizens Theatre, where *Trainspotting* had its stage debut in Mayfest 1994.)

Seldom do characters acquire an inner variety that makes for unfolding moment-

by-moment drama. There is an enthralling and utterly charming scene at the end of Act One when two young men and a young woman talk and play together with complete spontaneity, the tone changing all the time between tenderness, fun, pain, ardour.

But usually there is no flexibility to each character in each scene. Instead, the fixed quality of each character – notably the males – is delivered up to us for maximum colour as a stunt. Mark the feckless subversive outsider, Franco the foul-mouthed macho sexist, Tommy the dumb sweetie... hang bang bang. Acting becomes show-off virtuosity.

The four actors – Ewan Bremner (Mark), James Cunningham (Tommy), Susan Vidler (Alison), Malcolm Shields (Franco) – perform all this well, and the exhibitionist recklessness of Bremner's commitment, carrying most of the evening, is most impressive.

But the core of *Trainspotting*, as a play, is dead.

At the Bush Theatre, W12.

INTERNATIONAL ARTS GUIDE

BERLIN

OPERA/BALLET
Deutsches Oper Tel: (030) 34384-01
● *L'italiana in Algeri*: by Rossini. Conducted by Ion Marin/Carlo Rizzi, produced by Jérôme Savary; 7.30pm; Apr 5, 8, 12
● Lucia di Lammermoor: by Donizetti. Conducted by Marcello Viotti and produced by Filippo Sanjust; 7.30pm; Apr 6
● Onegin: music by Tchaikovsky. Premiered at this venue, choreographed by John Cranko, produced by Reid Anderson and Jane Bourne; 7.30pm; Apr 9 (7pm), 11
● The Girl of the Golden West: by Puccini. A new production conducted by Paolo Olmi and produced by Frank Corsaro. Soloists include Galina Kalinina and George Fortuna; 7.30pm; Apr 4, 7
Staatsoper unter den Linden Tel: (030) 200 4762
● Der Rosenkavalier: by Strauss. Nicolas Brieger directs this new production. The sets are designed by Raimund Bauer and Donald

BONN

GALLERIES
Kunst- und Ausstellungshalle Tel: (0228) 9171 236
● Russian Museum of St. Petersburg: third in "The Great Collectors" series. The museum in St Petersburg houses a collection of 500,000 works from which 500 works have been selected for this exhibition to represent 500 years of Russian art and culture; from Apr 7 to Aug 13 (not Mon)

LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Yo-Yo Ma: cellist with the London Symphony Orchestra. Sir Colin Davis conducts Tippett and Elgar while Leon Kirchner conducts the UK premiere of his own "Music for Cello and Orchestra"; 7.30pm; Apr 12
Queen Elizabeth Hall Tel: (0171) 928 8800
● Andreas Haefliger: pianist plays Beethoven, Schubert and Mussorgsky; 8pm; Apr 9
● Carmina Quartet: with pianist Andreas Haefliger plays Beethoven, Debussy and Brahms; 7.45pm; Apr 10
Royal Festival Hall Tel: (0171) 928 8800
● Bach: St Matthew Passion: with the Bach Choir and the English Chamber Orchestra. Sir David Willcocks conducts; 11am; Apr 9, 11
● Michael Nyman Band: with the Orquesta Andalusia de Tetuan.

Special concert in which Nyman reworks music from his career and writes for a group of virtuoso musicians who have an understanding of his work; 8pm; Apr 8
● The London Philharmonic: with soprano Amanda Roca. Roger Norrington conducts Mahler's "Lieder eines fahrenden Gesellen" and "Symphony No.4"; 7.30pm; Apr 5

GALLERIES
Royal Academy Tel: (0171) 439 7438
● Poussin: more than 90 works by the French artist. Centrepiece of the exhibition is the two series of the "Seven Sacraments"; to Apr 9

OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Don Giovanni: a new production of Mozart's opera. House debuts for director Guy Joosten and conductor Markus Stanz; 7pm; Apr 5, 8, 11
● Madam Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30pm; Apr 4, 6
Royal Opera House Tel: (0171) 304 4000
● Peter Grimes: by Britten. Directed by Elijah Moshinsky and conducted by Edward Downes; 7.30pm; Apr 8, 11
● Salome: by Strauss. A new production directed by Luc Bondy and conducted by Christoph von Dohnányi; 8pm; Apr 7
● Siegfried: by Wagner. A new production directed by Richard Jones and conducted by Bernard Haitink; 5.30pm; Apr 4
● The Prince of the Pagodas: by Britten. Kenneth MacMillan choreographs this Royal Ballet

production which opens a Benjamin Britten "mini festival" at the Royal Opera House; 7.30 pm; Apr 10

MADRID

GALLERIES
Fundación Colección Thyssen-Bornemisza Tel: (91) 420 3944
● André Derain: approximately 70 paintings selected to represent the painter's different artistic periods; from Apr 4 to Jul 10

NEW YORK

CONCERTS
Avery Fisher Tel: (212) 875 50
● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Apr 8, 11 (8.30pm)
● Pelléas et Mélisande: by Debussy. A new production by Jonathan Miller. Conducted by James Levine; 8pm; Apr 4
● The Ghosts of Versailles: by Corigliano. Produced by Colin Graham, conducted by James Levine; 8pm; Apr 7, 12
● La Traviata: by Verdi. A new production conducted by Yves Abel and directed by Renata Scott. Soloists include Janice Hall/Oksana Kroyitska and Stephan Mark Brown/Richard Drews; 8pm; Apr 6, 8
● Lucia di Lammermoor: by Donizetti. Conducted by Christopher Keene and produced by Tito Capobianco; 8pm; Apr 9 (1.30pm), 12

PARIS

CONCERTS
Champs Elysées Tel: (1) 49 52 50 50
● Philharmonic Orchestra of St

Petersburg: with violinist Shlomo Mintz. Youri Temirkanov conducts Prokofiev; 8.30pm; Apr 12
● Philharmonic Orchestra of St Petersburg: with violinist Martha Argerich. Youri Temirkanov conducts Prokofiev; 8.30pm; Apr 12

OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● Peter Grimes: by Britten. A new production by Adolf Dresen with Jeffrey Tata conducting the Philharmonia Orchestra; 7.30pm; Apr 4
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Lucia di Lammermoor: by Donizetti. A new production by Andrei Serban. Maurizio Benini and Roberto Abbado (from April) conduct the orchestra and chorus of the Paris National Opera; 7.30pm; Apr 5, 8, 11
● The Masked Ball: by Verdi. Conducted by Antonello Allemandi and produced by Nicolas Joel. Soloists include Gagan Grigorian and Gaetan Laperrière; 7.30pm; Apr 4 (3pm)

WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● Jessya Norman: soprano with pianist Ann Schein in a programme of works by Berg, Strauss, Ravel and Messiaen; 7pm; Apr 10
● National Symphony Orchestra: with pianist Barbara Nissman. Barbara Nissman conducts Kernis, Prokofiev and Rachmaninov; 8.30pm; Apr 4 (7pm)
● National Symphony Orchestra:

Elizabeth Schultze conducts Berlioz's "Symphonie Fantastique"; 8.30pm; Apr 6, 7, 8

OPERA/BALLET
Washington Opera Tel: (202) 416 7800

● Carmen: by Bizet. A new production with Denyce Graves in the title role. Ann-Margret Petersson directs a production by Lennart Mörk. Conductor Cal Stewart Kellogg. In French with English surtitles; 8pm; Apr 4, 7, 9 (2pm)

THEATRE

Arena Stage, Fichandler Theater Tel: (202) 488 3300
● I am a Man: directed by Donald Douglas. Recreation of the Memphis garbage workers' strike of 1968 and the civil rights movement; 8pm; to Apr 9
Horizon's Tel: (703) 519 9123
● Kindertransport: by Diane Samuels. Jane Latman directs a play about the repression of memories in Nazi Germany and the survival of a woman and her relationships; 8pm; to Apr 4
Kennedy Center Tel: (202) 467 4600
● Laughter on the 23rd Floor: Neil Simon's play set in the 1950s heyday of television comedy; 7.30pm; to Apr 23 (not Sun)
Studio Theater Tel: (202) 332 3300
● Rhinoceros: by Ionesco. Joy Zinman directs the Absurdist's comedy warning of the dangers of conformity; 8pm; to Apr 9 (not Mon)

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The European Commission's move to get a grip on its finances should enhance its political authority, says **Lionel Barber**

Reform begins at home

Two months after taking office, the new European Commission headed by Mr Jacques Santer has begun to put its house in order.

Changes in financial management and personnel are under way that one day might merit a business school case study. If the reforms take root, they will amount to a revolution for an institution often criticised for its spendthrift habits.

At stake is the future role of the Commission, the Brussels-based executive arm of the European Union responsible for executing an annual EU budget of more than Ecu50bn (\$105bn). Without reform, it risks being blamed for fraud and waste, and could suffer a further decline in its political authority.

During the tenure of Mr Jacques Delors, Mr Santer's predecessor between 1985 and 1993, the Commission's responsibilities expanded. It took on with relish new jobs such as administering the multi-billion dollar aid programmes to post-communist eastern Europe.

But Mr Delors showed more interest in the big idea than the balance sheet, and never got to grips with managing his own organisation. "The Commission is like a company which has just gone through an explosive period of growth," explains a senior Commission official. "Now the accent must be on consolidation."

Mr Santer, who served jointly as Luxembourg finance minister and prime minister, is now emphasising value for money. The new atmosphere in Brussels also reflects the influence of Austria, Finland and Sweden, the wealthy but penny-conscious states that joined the European Union this year.

The task of the reform effort has fallen to two Nordic commissioners: Mr Erkki Liikanen, an energetic former Finnish finance minister who has taken charge of the budget, and Mrs Anita Gradin, the Swede in charge of the justice affairs portfolio and the fight against fraud. As newcomers, they are better placed than most to create a new "budget culture".

Even the most partisan supporters of the Commission concede that budget management has never enjoyed much status inside the organisation. Officials who work in the budget directorate cannot aspire to the



Liikanen, budget commissioner: setting up network of high-flyers

power and influence over policy yielded by a senior UK Treasury official or a French *inspecteur de finances*.

The lack of political stature hampered Mr Peter Schmidhuber, the German budget commissioner who left Brussels last January. He left behind a memo which offers a disturbing analysis of the problems of financial management inside the Commission.

The chief difficulty is that many Commission departments pay more attention to the content of policies than to evaluating how much they will cost, or how easily they can be put into effect. Too often, evaluation is left to outside firms.

"The principle of sound financial management is not acknowledged as a general maxim," says the memo.

Second, budget implementation - spending allocated resources - remains second-rate. On the one hand, small businesses working under contract for the Commission have to wait months for payment. On the other, money is wasted because the rules on public procurement are not strictly observed when awarding contracts.

stints as financial managers. This would be a break with the past; some directors-general have slipped into Brussels thanks to political patronage back home.

Mr Liikanen has acknowledged that such changes would amount to a revolution in personnel management. He appears determined to blunt the excesses of the "flags system", where top jobs are allocated to countries according to complex quotas. The member states will resist.

Yet Mr Santer has indicated he intends to fight. He gave Mr Liikanen joint responsibility for budget and personnel when he assigned portfolios for the 20 commissioners last October. Furthermore, he agreed to let Mr Liikanen vet all important spending proposals from individual commissioners before they go to the full Commission.

A second step is to repair the Commission's relations with the Luxembourg-based Court of Auditors, which delivers an annual report on the execution of the budget. In recent years, public awareness of EU fraud and mismanagement has grown as the court has delivered a series of stinging reports; but the exercise has degenerated into political stalemate amid mutual recrimination.

Mr Santer recently made peace overtures over lunch with Mr André Middelheek, head of the Court of Auditors. For the first time, each Commission department will have a civil servant charged with staying in touch with the court.

All these steps are taking place within the present legal framework; but Mr Liikanen is also talking about "a new partnership with the member states". This may suggest new rules or proposals for legislation later this year, the idea being to put the onus on member states to do more to tackle abuse and fraud.

More broadly, the Santer Commission has begun to grasp that it must sort out its own affairs if it is to exert authority in important matters such as European monetary union.

Unless the Commission tightens its own financial controls, how can it tell member states to slash budget deficits and cut public spending in order to join the Euro? "Our own credibility is at stake," says a senior Commission official.

Europa: Holger Schmieding

Decline of enthusiasm



For most of the 20th century, Germany was a place apart in Europe. During the first 45 years, it was the epicentre of European turmoil. Too strong to acquiesce to the role of a mere equal among other European countries, it started two world wars. Too weak to take on France, Britain, Russia and the US at the same time, it lost both. For the next 45 years, Germany was a special place again. Defeated, demoralised and divided, it longed to establish credentials as a born-again European.

West Germany's Euro-enthusiasm reflected another clear political rationale. As long as Germany and Europe were divided, West Germany had few interests other than close integration with its western neighbours. Since eventual reunification appeared feasible only with a pan-European solution, Germany saw European political union almost as an end in itself.

The Maastricht treaty was the ultimate incarnation of this view. German reunification took place without political union in Europe, but in the treaty Germany agreed to sacrifice the Bundesbank for vague progress towards that end. However, Maastricht stands on quicksand. The premise on which it is built, that Germany is "special", no longer holds. The new united Germany hears little resemblance to the pre-war hully. It has become a country very little different from other large European nations.

Like its neighbours, Germany will come to weigh up agreements such as Maastricht on their own merits, rather than as part of some undefined political grand design. As a result, Germany's enthusiasm

for European political union per se appears set to decline substantially. Ultimately, Germany may support such a project only to the extent that political union promotes its specific interests - another sign of convergence between German attitudes and its neighbours.

Unfortunately, Maastricht may not stand a critical German re-examination. The provisions for monetary union do little to address Germany's concerns about the stability of money. Even at face value, the convergence criteria setting down EU members' eligibility for the Euro are not ambitious.

The first big snag is that the criteria are to be interpreted in a very soft way. Few people can imagine monetary union that excludes Brussels, the seat of most Euro-institutions. But if Belgium, with a ratio of public debt to gross domestic product of 140 per cent, is to be let in, the 60 per cent debt criterion needs to be stretched rather far.

The second snag is the lack of serious constraint on fiscal deficits after the Euro is established. If the criteria are to be breached, even before the Bundesbank is abolished, what will prevent worse deviations thereafter? Any residual discipline would probably be lost in the usual scramble for Euro-compatibility.

To rectify Maastricht's birth defects, Bundesbank repressives have called for a political union that is strong enough to impose fiscal discipline from above. The idea is not very convincing. Why should a European superstate run a bet-

ter fiscal policy than the sum of its fiscally independent members? The experience of Germany and the US does not suggest that federal governments do a better fiscal job than state governments.

In any case, the nations of Europe would hardly agree to hand to Brussels their power to tax and spend. The subsidiarity principle would suggest decentralisation rather than centralisation of most fiscal policies. And financial markets are much better at punishing profligacy and rewarding fiscal virtue than Brussels could ever be.

Emu may not, strictly speaking, be on the agenda of next year's inter-governmental conference to review Maastricht. However, on present indications, the conference is unlikely to agree big changes to the treaty. If that is the outcome, the likelihood that Germany will indeed abolish the Bundesbank in 1999 appears small.

Which German politician will really want to fight Germany's federal election in late 1998 on the platform that he will shortly implement an unpopular currency union with countries which do not even really meet the Maastricht criteria? Recent currency turmoil can only foster Germany's pride in its own currency, and make the average German even more reluctant to let anybody but the Bundesbank run monetary policy.

Germany's conversion to a country that believes in co-operation but is also aware of its peculiar interests should not spell the end to European progress. But Europe needs to re-think its approach.

In the age of the new world disorder, as Mr Michael Stürmer, the German historian, has put it, European countries need to forge stronger political co-operation. But this should not be through a vain attempt to impose fiscal discipline from Brussels. Instead, Europe should concentrate on an effective pooling of defence policy to prevent further aggression as seen by Serbia in the former Yugoslavia. A political union with emphasis on defence and foreign policy could make Europe a safer and better place.

Even a monetary union need not be a bad idea if it conserves a Bundesbank-style commitment to sound money. The European exchange rate mechanism has sometimes exerted a salutary influence on its members because it projected Bundesbank rigour beyond Germany's borders. In a future Emu, arbitrary Brussels criteria would not impose this type of discipline.

If, on the other hand, the status of a European central bank were to include an exit option, Emu's commitment to Bundesbank-type principles would be improved. Each country could be allowed to reintroduce its national currency if European inflation went above a certain level - say, 3 per cent for more than two out of any four years.

European central bankers would thus face the constant threat that they could be out of a job if they botched their task. This threat that the Bundesbank could be resurrected would concentrate their minds wonderfully on what it takes to preserve the value of a European money. Such an exit option could crucially improve the German public's present low acceptance of the Emu project.

The author is senior economist at Merrill Lynch in Frankfurt.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London, SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed in +44 171-873 5938 (please set fax to "line"). Translation may be available for letters written in the main international languages.

A fallacy about economists

From Professor Lord Desai.

Sir, Robert Chote has put together the usual sort of clichés about the nature of economics and of economists ("Decay of the dismal science", March 28). He repeats the common fallacy that somehow abstract mathematical theorising in economics is an obstacle to good policy analysis. But the most influential arguments that economists have been able to advance in recent years - the lack of trade-off between inflation and unemployment - came out of a rigorous argument by Professor Robert

Lucas, who was able to persuade his fellow economists only because he stuck to abstract theory rather than waffle about political economy. Indeed, all good political economy needs a sound basis in economic theory, as Adam Smith, David Ricardo and Alfred Marshall proved.

The economists who are the prominent policy advisers - Jeffrey Sachs, Rudiger Dornbusch, Lawrence Summers, Stanley Fischer, Michael Bruno, and in the UK, David Currie and Patrick Minford - have all done their hard theo-

retical work in preparation of their work as policy advisers. Indeed, if they had not done so and won the respect of their fellow economists, they would not be credible as policy advisers.

There is no conflict between abstract theorising and good policy advice in economics; it is merely different phases of the life cycle of the economist. Desai.

The Centre for the Study of Global Governance, London School of Economics, Houghton Street, London WC2A 2AE, UK

Harassed by over-zealous inspectors

From Mr Bryan Cassidy MEP.

Sir, Francis Maude is right in his strictures about the flood of regulation from both Brussels and Whitehall ("UK must try harder to cut red tape", March 20). Can I add three further concerns to his list?

First, although the flow of Brussels primary legislation (such as parliament and council directives) has slowed substantially, as is witnessed by the "C" series of the official journal of the European Communities which since January 1 seems to be full of calls for tenders, the flow of secondary legislation (commission direc-

tives and regulations) continues unabated, as a glance at the "L" series of the official journal shows. Most of these are drawn up by national civil servants (including British) meeting behind closed doors in Brussels - a process known in Euro-jargon as "comitology".

Second, the tendency of Whitehall to "gold plate" EC measures continues despite the deregulation initiative. EC proposals become law in the UK as statutory instruments made under the European Communities Act 1972. Often they are laid before the Commons when it is in recess!

Third, small businesses are harassed by over-zealous local inspectors who seem to think that their job is to put small companies out of business. (The annual report of the Health and Safety Executive, two years ago boasted of its "blitz" on small businesses).

Napoleon is credited with the remark that the British were "a nation of shopkeepers". Today he might remark that we seem to have become a nation of inspectors. Bryan Cassidy, European parliament, 97-113 Rue Belliard, 1040 Brussels, Belgium

Keep smokers right side of the border

From Mr Hugh Caldwell.

Sir, Your article, "Forget your passport - Europe's frontiers start to fade" (March 26), about the plans to speed passengers through Brussels Airport under the Schengen arrangements was welcome news. As a frequent user of the airport, I find there is one feature of it which certainly does not make me want to hang around.

Although the terminals are plentifully decorated with no-smoking signs, some aggres-

sively unpleasant individuals choose to ignore them. The fact that nothing is done to stop them is perhaps the result of an inexplicably indulgent attitude towards some of their uglier customers rather than incompetence on the part of the airport management.

Who knows? Perhaps the "extra staff" laid on to guide passengers to the right area might point out to those howling smoke around the terminals that they are liable to substantial fines. Passengers

passing through the immense corridors and marble halls of the new terminal have a legal right to a clean and comfortable atmosphere free of tobacco smoke, but the airport authorities have not so far thought fit to meet their obligations. I rather wish they would. I don't see the sense, commercial or otherwise, of allowing the present degree of annoyance.

Hugh Caldwell, Clos du Cinquantenaire 2-B3, Brussels B-1040, Belgium

Record shows that Brookings not outgunned

From Mr Henry J. Aaron.

Sir, In one short news squib on the current search for a new president of the Brookings Institution, the Financial Times managed to show that it does not know who is on the short list, to write ungrammatically, and to comment nastily about Brookings' current standing ("No yen for it", March 24).

The article alleges the "grand old Brookings Institution... seems to have lost its way and... regularly gets outgunned by the more ideological rightwing" organisations such

as the American Enterprise Institute, and the Heritage Foundation.

Really? A count of citations in five leading US newspapers (The New York Times, The Washington Post, The Wall Street Journal, USA Today, and The Christian Science Monitor) reveals that Brookings scholars are cited twice as often as staff from either the American Enterprise Institute or the Heritage Foundation. A count of citations of four leading weeklies (Business Week, The Economist, Fortune and Time) reveals that Brookings

scholars are cited nearly twice as often as staff at Heritage and three times as often as staff at the American Enterprise Institute.

We at Brookings hope and expect to continue to be "outgunned" in this fashion. Dare we hope that the Financial Times will write so that its opinions are not outgunned by the facts. Henry J. Aaron, director of economic studies, The Brookings Institution, 1775 Massachusetts Avenue, N.W., Washington D.C., US

Investing for changes in climate

From J.M. Wile.

Sir, The last lines of your editorial "Cool air at Berlin summit" (March 27) say "it would be... disturbing if costly measures on a global scale were adopted to combat a threat where the margin of uncertainty is still so large". This must be a great relief to banks and insurers, whose Reinsurance Association of America president, Mr Frank Natus, said in December 1994 that "Climate change could bankrupt the industry". Between September 1989 and September 1994 there were 15 separate weather disasters, each costing more than \$1bn.

It is reckless for an august body like the Financial Times to abandon the concept of the precautionary principle when climatologists and financiers are at last beginning to agree that global warming does exist.

Investment in measures to cut emissions and improve energy conservation will always be cost-effective in cutting fuel bills, improving health and revitalising local economies. J.M. Wile, 25 Pemberton Road, East Molesey, Surrey KT8 9LE, UK

Low-priced rolling stock

From Professor W.P. Bradshaw.

Sir, It was announced on March 29 that many international leasing companies see opportunities in the sale of British Rail's 11,000 locomotives and passenger carriages and that government believes £1bn will be raised as a result. Another announcement said BR had invited bids to supply 180 new electric carriages at an anticipated cost of £150m.

The conclusion that can be drawn from these figures is that the whole of the British Rail passenger fleet is likely to be sold for less than the cost of renewing the rolling stock of South East Trains, one of the 25 train operating companies being offered for franchising. This no doubt presents an opportunity for leasing companies, particularly as the leases will not be subject to regulation, but surely disposal of so much rolling stock for so little money will be at the expense of the railway passengers and the taxpayer? Bill Bradshaw, Centre for Socio-Legal Studies, University of Oxford, Wolfson College, Oxford OX2 6JD, UK

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FINANCIAL TIMES

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Tuesday April 4 1995

Contract with Republicans

This Friday, when the US Congress goes into Easter recess, the Republican party's Contract with America will be almost 100 days old. The contract, launched with the Republican landslide in November's mid-term congressional elections and intended as a manifesto for a radical shift to the right, has had some notable successes. But it has so far achieved less than its advocates hoped. And the policies which it has pushed through into legislation include some which are to be regretted.

Last Wednesday, the contract suffered its first big defeat in the House of Representatives, with the loss of the constitutional amendment limiting the terms of senators and congressmen. Earlier this year, the Senate also rejected the contract's "balanced budget" amendment. While economically flawed, the proposal underpinned the Republicans' claim that their numbers added up, and that tax cuts were not irresponsible.

It would be an exaggeration to say that the rejection of these two central planks means that the contract has failed, or that voters will now conclude that all politicians renege on promises.

For a start, the contract strictly did no more than promise to bring these issues to a vote. That it has done. Moreover, it failed to get the two proposals through only by a small margin. While the term limits proposal failed to get the necessary two-thirds majority, it did secure an overall majority, surprising given the antipathy to the measure even in pockets of the Republican party. The balanced budget proposals lost by just one vote in the Senate. The contract has also achieved several of its authors' goals, including a much-needed reform of congressional practice, extending swathes of employment legislation to congress.

Republican harmony

The contract can also be credited with uniting the Republican party. It remains to be seen whether the present degree of harmony survives the presidential race. But the achievement should not be dismissed: the unity may well have given the Republican presidential candidate a more solid platform from which to run. Those successes aside, it is

Tax cuts and the Tories

We have it on the authority of Sir Winston Churchill that democracy is the worst possible system, except for all the others. If so, the others must be truly dreadful. In France, Mr Jacques Chirac is leading the race for seven years of virtually untrammelled political power on a platform built of internal contradictions. In the UK, many in a desperate Tory party think it sensible to follow two years of tax increases with a promise to cut them again over the next three. Are electorates really so forgetful and myopic?

Mr Norman Lamont's last Budget and Mr Kenneth Clarke's first two proposed increases in taxation that amount to £13.9bn in 1996-97, just short of 2 per cent of GDP. Partly because of these tax increases, but also because of plans for tight control over public spending and unacceptably rapid economic growth, a public sector borrowing requirement that peaked at 7 per cent of GDP in 1993-94 is now forecast to disappear by 1998-99.

The bright new idea of some Tory dreamers is for the government to commit itself to an election-straddling programme, to cut the basic rate of tax from 25p to 20p in the pound, which would cost the Treasury about £10.5bn. It allows for a modest overshoot on plans for public spending - to cover increased pay to teachers and nurses, for example - the amount raised by the three last Budgets could well disappear.

Politically astute move

It is a plan to raise taxes sharply when the economy is just recovering, only to give almost all the money back when it is at full capacity, anything other than mad. Politically, it may not be. The government has raised taxes in relatively invisible ways. To lower them again in more visible ones could prove rather clever, it could be so less politically astute to raise taxes on people who are never likely to vote Conservative and, after a suitable delay, lower them on people who are. The tax increases of the past couple of years were not particularly clever in this respect, since they were not regressive, in contrast to tax changes in the 1980s. But a large reduction in the basic rate of tax would make up for that oversight, if overnight it was.

unsurprising that the contract has run into serious obstacles. Much of it was incoherent, and the past three months have witnessed the inevitable crunch when an ideological manifesto meets reality. It deftly caught voters' anti-government mood, and their exasperation with the incumbents. But it may have mistaken that shout of frustration for revolution. Public passion on the issue of term limits appeared to peak last year, and had ebbed some way by the time of the vote.

Moreover, the pell-mell pace instigated by the contract threatens to produce a raft of bad legislation. For a party which describes itself as conservative, it adopts an astonishingly cavalier approach towards amending the constitution. In the constitution's history, there have been only 27 amendments; these now risk being swamped under the contract's flurry.

Flaws in reforms

The proposal for reform of the tort system ranks among the contract's least thoughtful measures. There is no question the system needs change, given the escalation of costs and damages in the US courts. But the contract's proposals (now successfully through the House of Representatives), which introduces the "loser pays" principle, threaten to make legal action inaccessible for poorer people.

Even more importantly, the implications of the welfare reforms, which have already passed through the House, may be similarly harsh for the least well-off. The contract has also unhelpfully polarised the budget debate between those who favour regressive tax and entitlement changes and those who countenance no change at all.

The contract has given voice to public fury with politicians. But its recent setbacks reflect the way that its advocates may have over-estimated the appeal of the individual causes it champions. While it can be credited with stirring up the political debate, it has coarsened its terms, and begun to push through crude laws whose ramifications have yet to become clear. It has served its authors well as a Contract with Republicans, but does not yet deserve to be called a Contract with America.

This is no more than fiscal prudence. What determines the burden of taxation is the ratio of public spending to GDP. In 1996-97, it is expected to be 45 per cent. Since this is less than two percentage points lower than in 1979-80, the government would have been foolish to implement large overall tax cuts. It has merely reshuffled the tax burden, with the overall ratio of general government receipts to GDP in 1995-96 at 38 per cent, precisely what it was in 1979-80.

Optimist's view

The Treasury now forecasts the ratios of general government spending and receipts to GDP at very close to 40 per cent in 1998-99. The short-sighted optimist might argue that this is more prudent than required. A reduction in the tax burden - through cuts of less than 2 per cent of GDP - would hardly seem disastrous.

Maybe it would not be, but it would certainly not be prudent. Remember, first, that the disappearance of the fiscal deficit is forecast at what is almost certain to be a cyclical peak; second, that public spending is forecast to grow at the implausibly low rate of less than 1 per cent a year in real terms between 1995-96 and 1999-00; third, that much can go wrong with the economy and the fiscal position, as was brutally demonstrated in the early 1990s; and last but not far from least, financial markets are in a mood to punish savagely any government whose commitment to fiscal prudence is questionable. Anyone who believes that the credibility of the UK is now such that the gilt and foreign exchange markets would be unaffected by a proposal to reverse most of the tax increases of the last couple of years is day-dreaming.

It was a great - and insufficiently applauded - achievement to make the UK's public finances look impeccable. It would be the height of folly to throw that achievement away. Carefully articulated tax reform is a good idea. A programme of tax cuts balanced by spending reductions is also justifiable - and would provide some distance between government and opposition. But the proposals now being floated are absurd. They should be put in Mr Major's dustbin.

As the world's currency markets continue to batter the dollar, the sharp rise in the yen is causing increasing concern among Japan's business executives and bureaucrats.

Yesterday the US Federal Reserve joined the Japanese central bank for the first time in several years and intervened in far eastern markets in another attempt to drive down the Japanese currency.

But as the yen brushed off attempts to restrain its ascent, the view was growing in Tokyo that the time had come for a more dramatic change of course to address the economic fundamentals that have pushed the currency so high.

Those familiar with the progress of psychological traumas will have little difficulty recognising the response of the Japanese authorities to the current crisis.

First there was denial. For a while, the Bank of Japan and some members of the government would not accept that the yen's rise posed a real threat to the economy. Last month, Mr Yasuo Matsuoka, director of the central bank, said: "It is hard to believe that the high yen will curb the recovery that is proceeding naturally."

But as the effects on exporters and the wider economy became clearer, denial gave way to blame. The government accused speculators and even other governments for pushing the currency higher. "The main cause is speculation, helped by the inaction of the US authorities to defend the dollar," said Mr Masahiko Komura, director of the Economic Planning Agency.

Now the reality has seeped in. Last week, Mr Yutaka Yamaguchi, director of policy planning at the Bank of Japan, acknowledged that the "tempo" of recovery had slowed, and that the central bank needed to act to assist recovery. Meanwhile the country's newspapers are filled with increasingly urgent calls from cabinet ministers for something to be done to stop the yen's ascent.

The real risk for Japan is not that a strong recovery is being derailed by the yen's surge. The bigger problem is that the recovery was never that strong to start with, and is in danger of disappearing altogether.

For three years from 1990, Japan's growth rate declined, turning negative in 1993. Last year, gross domestic product edged back up slightly, growing by about 0.6 per cent.

The return to positive growth last year cannot properly be termed a recovery, however. Japan's long-term trend rate of growth, while much lower than the 10 per cent average achieved in the 1950s and 1960s, is still estimated by most economists at between 3 per cent and 3.5 per cent a year.

The government and the bank acknowledge that a soaring yen will

force the growth rate down, deepening the recession. But there is little sign yet of a significant shift in policy. Instead the bank prefers to sit tight and let what it sees as a temporary storm blow over.

As the bank claims, there have been short-term and speculative factors behind the yen's surge in recent weeks. But they have themselves been driven by much more important fundamental shifts in capital flows that favour the yen.

The most important cause of the appreciation of the Japanese currency is the country's success as an exporter which creates an enormous current account surplus with the rest of the world. In the past, this surplus has been counterbalanced by net exports of long-term capital, in two main forms: direct investment - for example, in companies and property overseas; and purchases of foreign stocks, bonds and other investments.

Until 1990, the capital outflow was roughly equivalent to the current account surplus. Japanese investors were happy to buy foreign companies and securities which they saw as having sufficient value in their own right - they did not require a significant exchange rate incentive (that is, a much lower dollar) to buy them.

But after 1990 something extraordinary happened. Instead of recycling the yen surplus, Japanese companies began adding to it. The long recession in the country reduced the appetite for overseas investment. And after the yen's earlier rise in the late 1980s, Japanese corporations, investment trusts and life assurance companies had lost billions of dollars on their foreign assets. In 1991, there was a long-term capital inflow of more than \$35bn.

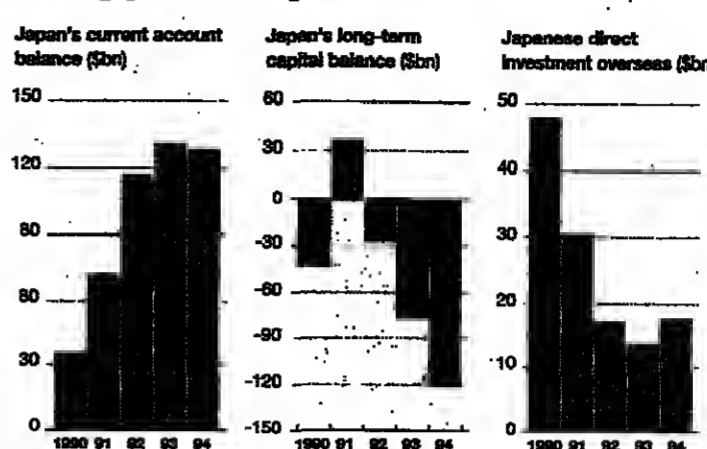
"After 1990 the investment environment overseas for Japanese companies deteriorated sharply," says Mr Takashi Yamazaki, senior economist at Sanwa Research Institute, research arm of Sanwa Bank. "The burst of the bubble in asset prices weakened almost all financial institutions, while foreign investments became less attractive."

Fear of further losses from a rising yen made more companies bring their investments back home. Even

A troublesome trajectory

Japan has yet to devise a strategy that can deal with the rise and rise of the yen, says Gerard Baker

Rising yen: reality sinks in



Source: Yamazaki Research, Nomura Research Institute, FT Graphics

though the net outflow of long-term capital resumed in the next two years, it was far smaller than the current account surplus. That created a shortage of yen worldwide to pay for Japanese exports, forcing up its exchange rate further - particularly against the dollar, since the largest single element of the surplus is a large trade gap with the US. The gap had to be met by short-term money - capital flows that are much more volatile.

Last year it appeared that the process might have begun to reverse itself. Japanese long-term capital again began flowing abroad at levels which almost equalled the current account surplus of \$129bn.

However, these flows were not all that they seemed. The bulk was in yen bonds issued overseas, usually by Japanese companies outside the country taking advantage of lower costs of borrowing abroad. Euro-yen are counted as foreign securities, but they do not represent an exchange risk to a Japanese buyer who can repay them in yen. The Japanese are estimated to have bought \$65bn in Euro-yen bonds last year.

Japanese investors will return to

foreign markets in numbers only when they are convinced that the yen has stopped rising. They do not believe the yen has touched bottom because they do not yet believe that the country's current account surplus has stopped growing. Until they are sure of that, they will continue to prefer to hold yen.

This week marks the beginning of the new financial year in Japan, when Japanese institutional investors traditionally make their portfolio allocations for the new year. With the yen's strength underlining the risk of holding foreign assets, few are planning to increase their holdings of overseas assets in the next year.

That presents the Japanese authorities with a bigger challenge than ever in trying to halt the appreciation of the yen. In principle, the yen's rise should help in reducing the current account surplus by making exports more expensive - but that is likely to take years. Despite an appreciation of more than 50 per cent in the yen's exchange rate against the dollar in the last decade, the current account surplus has hardly changed. Even if the high yen brings down the surplus, it will be at the cost of a badly bruised economy.

The alternative is to stimulate consumption - Japan's chronic economic deficiency. But while consumption has been rising as a proportion of final demand, it has not risen enough even to bring closing the current account deficit.

And efforts to increase imports by eliminating the panoply of regulations that hinder them have been too half-hearted. The government's latest and long-awaited reform package announced last Friday disappointed yet again by stopping well short of the sort of measures that would induce consumers to spend sufficiently to reduce the current account surplus. Even if the government were to accelerate the pace of reform, it would be a long time before the effects fed through.

A more immediate move to raise consumption would be a monetary stimulus in the form of a sharp cut in interest rates. Yet when the central bank cut money market rates last Friday, it contained itself with trimming money market rates, refusing to cut its more significant official discount rate.

Yesterday the markets responded predictably. The yen shot to another all-time high, and the stock market plunged to its lowest level for two and a half years.

Until the authorities respond with the eagerly awaited and symbolic interest rate cut, the yen and the stock market seem set to continue to head in opposite directions.

Economic logic lies behind the backlash against environmentalism, says Bronwen Maddox

Retreat of the greens

Not many delegates at the international jamboree on global warming, which ends in Berlin on Friday, have been carrying copies of *Small is Beautiful* - *Blowing the whistle on the Greens*. The book, by Wilfried Beckerman, a recently retired Oxford University economics professor, sets out to debunk some of the most cherished prophecies of doom peddled by environmentalists. So strong are the arguments which he musters against the supposed threat of global warming that if delegates heading for Berlin had read his text they might well have turned back at the airport.

The book is just one of several published in recent months attacking the claims of greenery, including two by environmental journalists, *Life on a Modern Planet* by Richard North and *Down to Earth* by Matt Ridley. Such books are seen - rightly - as signs of a backlash against the environmentalist movement.

Public awareness of environmental issues has risen steadily in the past 15 years in western societies, and support for campaigns has remained steady during recession. But "green" parties have largely

failed to convert that interest into political power. The German Greens, while rallying slightly at the moment, have suffered defeats in successive national and European elections in recent years. In contrast to the enthusiasm which western politicians and the media displayed at the Rio de Janeiro Earth Summit in July 1992, the mood is now one of scepticism and caution.

One reason for the change of sentiment, as all three authors argue, is that many people are fed up with alarming prophecies which fail to happen. Green politics would have had an easier time in recent years if the shortages of food and energy much-forecasted in the 1970s had come about.

In the case of global warming, scientific knowledge is still incomplete. Scientists agree that concentrations of carbon dioxide and other "greenhouse" gases are increasing in the atmosphere because of people's activities. But they are far from agreed about the possible consequences, and some respected pre-

dictions of the degree of warming and of the rise in sea level have been revised down several times.

Moreover, it has become clear that the costs of taking steps to reduce the threat are high, and deeply unpopular with industrialists and the public in many countries.

Energy taxes were the measure favoured by western governments at Rio to curb carbon emissions. Yet proposals for such taxes have stalled in the US and European Union, while the UK government's introduction of value added tax on domestic heating fuel embroiled it in one of its fiercest political contests.

A third factor behind the backlash is the difficulty of reconciling some environmentalists' goals with the aspirations of many developing countries. Such conflicts came to a head during the Uruguay round of the General Agreement on Tariffs and Trade. Harsh criticism has been levelled at those western environmental groups which appear to put

the preservation of forests and landscape in poor countries above the needs of their people for energy, refrigeration, and higher incomes.

Many environmentalists would argue that the contradictions identified by the "backlash" authors are more apparent than real. "Sustainable development" - meaning economic growth without over-exploitation of natural resources - has become the catchphrase in environmental circles for the way of addressing the needs of poor countries. It has also become the central plank of many governments' environmental policies.

However, Beckerman has performed a public service by showing that the "sustainable development" concept is often meaningless. The phrase originally evolved from studies of the threat to tropical forests and whales. In those contexts it has a clear meaning: some policies will allow the trees and whales to survive, others will not. But when extended more widely, the meaning becomes slippery.

Almost all human activity con-

sumes natural finite resources such as fossil fuels. Environmentalists have therefore tended to abandon definitions of "sustainability" which suggest that the environment should be preserved intact.

Instead, many interpret sustainability to mean that "well-being" should be preserved. In this equation, manmade capital such as schools and hospitals can compensate for the erosion of the environment. But as Beckerman adroitly points out, this is no different from the traditional economists' goal of maximising welfare. Green economists might put a higher value on the environment in the equation, but the concept adds nothing new.

The vocabulary of sustainability appears to offer a way to avoid tough choices, to balance "environmental and economic needs", another favourite phrase of green strategists.

However, the lesson of the three years since Rio is that preserving the environment presents people with uncomfortable and inescapable dilemmas. They choose to protect the environment much less often than green lobby groups would wish.

OBSERVER

Brussels bouillabaisse

■ Hooks spend most of their lives fishing for decent quotes, not least the 600 or so hard-bitten scribblers comprising the Brussels press pack. The scraps they are fed normally come from anonymous press spokesmen, but two involved in the EU-Canadian fish trawls have become media figures in their own right.

Peter Guilford, the 34-year-old Brit who has served Sir Leon Brittan since joining the commission in 1991 after a spell at The Times newspaper, is fluent in French and Spanish, skills which endear him to the multilingual press corps. Now popping up on British radio and TV, he honed his ability to field tricky questions as spokesman during Gatt talks to settle the Uruguay Round on trade. "This is a tea party by comparison," he says.

This might just be the beginning of a long and fruitful relationship with Canada for Guilford. As Sir Leon's spokesman, he faces the prospect of taking the flak for negotiations between the EU and NAFTA on a free trade agreement.

His Italian colleague Marco Zatterin, 33, another ex-journalist, has been ably assisting the abrasive Italian Emma Bonino, the commissioner responsible for fish, among other things. Now a regular fish war pundit on the

Mediterranean's airwaves, Zatterin might be flagging. "I did not know 60 days could seem so long." That would be a pity, his dry humour eases the unrehearsed diet of gruel served up at daily commission briefings.

Miles on top

■ Michael Miles, 58, former chairman of John Swire & Sons, the far eastern trading house, has emerged as one of the few winners in the management reshuffle at Baring. With Peter Baring and Andrew Tuckey resigning yesterday, Miles has been given the job of co-chairing the management committee of Baring Brothers, the City's oldest merchant bank.

He has always been a rather shadowy figure at Baring. After Wellington College and National Service in the Duke of Wellington's Regiment, he joined Swire in the far east in the 1950s and headed Cathay Pacific and Swire Pacific. Many regarded him as a trusted family retainer for the Swire family fortune.

Net surfers need not take offence, however. By rubbish, Carpenter meant not quality but quantity. As there is no compulsory expiry date on any of the electronic data, it can hang around for years, like dead satellites clogging up a virtual galaxy.

Holy Internet!

■ Good news for latter-day Luddites. Your prejudices are confirmed - the information superhighway is full of junk.

Much of the stuff on the global computer network is "rubbish", said Brian Carpenter, head of communications systems at the European Laboratory of Particle Physics, CERN, at a UN Internet forum in Geneva yesterday.

Net surfers need not take offence, however. By rubbish, Carpenter meant not quality but quantity. As there is no compulsory expiry date on any of the electronic data, it can hang around for years, like dead satellites clogging up a virtual galaxy.

Beyond credit

■ Looks like its financially disastrous past is having little effect on Crédit Lyonnais' current attempts to drum up new business

- at least when the work comes from state-owned companies.

Yesterday the publicly-held Paris airports authority became the latest, signing up the bank as underwriter on a new FF700m bond issue. If that is something breathtaking, it is as nothing compared to Crédit Lyonnais' appointment a few weeks ago as one of the advisers to Usinor Sactol, the state-owned steel company, on its forthcoming privatisation. The bank also just happens to be a 20 per cent shareholder in the company, and is under government pressure to sell its stake as quickly as possible.

Maybe Usinor thinks the urgency will override any conflict of interest the bank might have in offering advice designed to push up the sale price of the shares - and hence cover its own massive losses.

Love and kisses

■ It seems that the sex life of Finnish women has become much more enjoyable in recent years, significantly enhanced by "the wonderful things they have learnt, more particularly from British and Danish boys", according to professor Elna Haavio-Mannila, the sociologist author of a new survey of sex among the Finns.

The Danes have presumably taught warm affection; and the Brits the importance of emptying the can of lager before getting into bed.

Financial Times

100 years ago

Inside selling allegations
Speech by Sir William Van Horne, President of the Canadian Pacific Railway, in Montreal.
"Reference has recently been made in some of the financial journals abroad to what is called 'inside selling' of the company's shares, presumably by directors or others... in a position to be familiar with its affairs."

"While some of the directors have incurred heavy risks and made perhaps unwarranted sacrifices in its interest, it can safely be affirmed that no one of them has been individually benefited to the extent of one penny through any of its works or operations."

50 years ago

Holidays on end of war
In view of the development of the war against Germany, the government recognises that industry will be looking for a lead regarding the arrangements for a holiday on the cessation of hostilities. So far as government factories and government services are concerned, the day of the announcement of the European cease fire, together with the day immediately following, shall be days of paid holiday.

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European and Asian recovery helps biggest rise since 1976

World trade in goods jumps 9%

By Frances Williams in Geneva

World trade in goods soared by 9 per cent in 1994, more than double the previous year's increase, the World Trade Organisation estimates.

It says volume growth is the fastest for nearly 20 years.

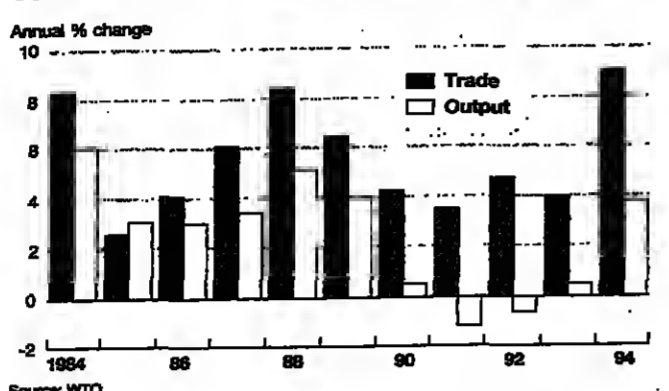
In value terms, world merchandise trade rose by 12 per cent to a record \$4,000bn, boosted in part by a jump of about a fifth in trade in office machines and telecommunications equipment, including computers, computer parts and semiconductors.

That category now accounts for 11 per cent of world goods exports by value - more than food, automotive products, chemicals or fuels.

Further strong trade expansion is expected this year, although the WTO - the successor body to the General Agreement on Tariffs and Trade - says recent turmoil on world financial markets may mean slower volume growth than the 8 per cent its economists had earlier predicted.

The surge in world goods trade last year, the biggest volume rise since 1976, reflected a sharp

Volume of world merchandise trade and output



Source: WTO

recovery of trade in western Europe and continued expansion in Asia, North America and Latin America.

Value growth was stronger than volume growth, mainly because the weaker dollar raised average dollar prices for internationally traded goods, while non-fuel commodity prices were sharply higher.

Mr Peter Sutherland, outgoing WTO director-general, said in a

speech in Ottawa last night that the "dramatic" 1994 trade figures were due in large measure to the successful conclusion in December 1993 of the Uruguay Round of global trade talks.

"The renewal of confidence in the multilateral trading system that came with the decision to set up the WTO, and the assurance of continuing trade liberalisation that it represents, are undoubtedly principal factors in

revitalising trade-led growth."

The growth of trade far outstripped the 3.5 per cent rise in world output of goods - a reflection, Mr Sutherland said, of the continuing integration of national economies through trade.

However, the value of cross-border services trade grew far more slowly than merchandise trade last year, rising by 6 per cent to \$1,080bn after a decade in which it has on average expanded more rapidly.

Most regions saw rapid merchandise trade growth last year, the exceptions being the Middle East and Africa, which were affected by low oil prices. Asia increased exports and imports by more than 15 per cent, with Chinese exports climbing by nearly a third in value.

Latin America boosted exports by 15 per cent and imports by 16.5 per cent. Exports from central and eastern Europe, helped by the recovery in western Europe, jumped by almost 20 per cent.

Sutherland warns over meddling with WTO, Page 5

THE LEX COLUMN

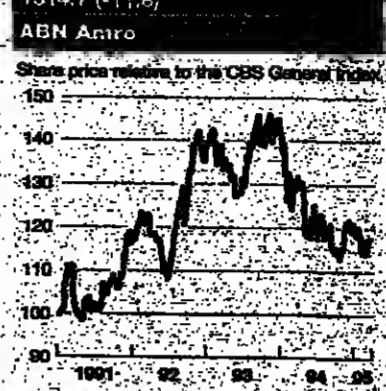
A yen for change

Nothing but a weakening of the yen is likely to spur a recovery in Japan's ailing equity market. And given the current political paralysis in the midst of what could fast become a financial crisis, there is little cause for confidence. The Nikkei average has now fallen 22 per cent this year. A rising yen has made exports less competitive. More importantly, it has had a knock-on effect on salaries in manufacturing and has created a "feel-good" factor among consumers. The long-awaited resurgence in the Japanese economy has therefore been pushed ever more into the distance. And falling equities have further damaged the balance sheets of a heavily invested corporate sector.

In the short term, the government needs to follow up last week's cut in money market rates with a more psychologically important cut in the discount rate. But this would merely buy time. Japan needs to implement fundamental structural change. Deregulation of the economy would remove protective barriers against imports, helping reduce the current account surplus which has led to currency strength. It would encourage greater economic efficiency. And it should also spark increased investment overseas by Japanese, as fears of currency losses were reduced.

However, there are no signs that the government is prepared to bite the bullet since deregulation would cause short-term pain to the electorate. A more likely cut in its discount rate, and a rise in US rates, would buy a temporary respite to Japanese ill. But structural flaws would remain.

FT-SE Eurotrack 200: 1314.7 (-11.8)



Share price relative to the CBS General Index

attributed to it by Morgan Stanley. But the valuation basis has not been disclosed, although it looks ambitious as a multiple of more than one times the new group's sales. Moreover, the amount which eventually finds its way into Volvo's coffers depends on imponderables such as the vagaries of the Swedish stock market in the next year, and the management's success in extracting synergies from the combined businesses.

Continued exposure to such uncertainties is not in shareholders' interests, and one wonders just how large the offers for the businesses from non-Scandinavian consortia. Perhaps it would have been worth accepting a slightly lower sum in return for immediate disengagement from the non-core activities.

Volvo

Volvo's assurance that it has sought and found the best deal for its shareholders by pulling out of food and beverages cannot be taken entirely at face value. The structure of the transaction suggests that Volvo has made a trade-off between finding an industrial, Scandinavian solution to the withdrawal, and maximising returns for its investors.

The estimated SEK3.8bn proceeds are at the lower end of analysts' expectations, but the real problem with the transaction is that Volvo has not, after all, made a clean break with food and beverages. Far from it: it has entangled itself further in non-automotive activities by acquiring a majority stake in a new beverages joint venture with Orkla. Volvo's interest in this may one day be worth the SEK1.6bn

Repsol

The poor performance of Repsol shares in the past 18 months is a good reason for participating in the latest leg of the Spanish government's privatisation programme. The stock now appears undervalued, given the company's above-average growth potential: it is trading on a multiple of 8.7 times expected 1995 earnings compared with around 14 times for many oil majors, and is also cheap on a cash-flow basis.

Repsol's joint venture in exploration and production in Libya and its strong position in the relatively undeveloped Spanish gas market should help boost profits, as well as reducing the company's reliance on refining. Its once loss-making chemicals business is enjoying a cyclical upturn. The shares' underperformance is largely due to the over-

hang of stock since the Repsol sale was postponed last year, because of adverse market conditions.

The new deal has been cleverly managed. Wary retail investors have been enticed by guaranteed compensation for any fall of up to 10 per cent in the share price in the first year. The deal has proved effective: the real portion of the transaction has just been increased due to the heavy flow of advance orders. When the government tries to sell more shares in Spain and Argentina, both of which are currently trading below the price paid by investors at the last sale, it is likely to find that a precedent has been set. Other governments should take a closer look at the idea, since the guaranteed cheques to reward investors "loyalty" with bonus shares.

UK taxes

Financial markets are unworried by talk in the Conservative party about a three-year programme of tax cuts. The cynical view in the City is that it would be astonishing if the government did not bribe voters with tax cuts in the run-up to the next general election. The 1994 budget spread between gilt and fund yields already discounts some such a giveaway. Moreover, there is unlikely to be a problem affording gifts of tax cuts. The public sector borrowing requirement would not fall as quickly as the Treasury projects. But it would continue to drop and the UK's fiscal position would still be the envy of many other European countries.

The risk is less one of not having money to pay for tax cuts than of standing up an economy that is already growing above trend. The interest rate increases of recent months may help nip inflationary pressures in the bud. But any government that considered itself to be cutting taxes out would be giving a postage to fortune. The performance of the economy cannot be predicted with any confidence at such a distance. If fiscal expansion proves misguided, it will have to be balanced by a more severe monetary tightening. The government has yet to receive much credit in financial markets for the tax increases of recent years - precisely because most investors expect them to be reversed. If Mr Kenneth Clarke, the chancellor, can resist pressure from colleagues, the market surprises will be on the upside.

See additional Lex comment on market-making, Page 28

Major call to Clinton on IRA arms

By Robert Peston, Political Editor, in Washington

Mr John Major will today ask US President Bill Clinton to step up pressure on Sinn Féin to persuade the IRA to give up its vast arsenal of weapons.

The UK prime minister is anxious to patch up relations between the UK and US governments after last month's argument over the invitation of Mr Gerry Adams, Sinn Féin leader, to a White House reception.

In separate meetings yesterday with Mr Warren Christopher, the US secretary of state, and Mr Bob Dole, the Republican Senate

leader, Mr Major gave graphic accounts of punishment beatings still being carried out by the IRA in order to increase the moral force of his arguments with the US administration.

Mr Major emphasised to both Mr Christopher and Mr Dole that there was no possibility of a UK minister beginning exploratory peace talks with Sinn Féin until it accepts the principle that the IRA's decommissioning of weapons must precede any discussion of scaling down the military activities of the British army or the Royal Ulster Constabulary in Northern Ireland.

Mr Christopher made a gesture

towards resolving the dispute between the two governments, which arose over Mr Clinton's decision to give a US entry visa to Mr Adams. Speaking after a breakfast meeting with Mr Major, Mr Christopher said that the dispute was "now ancient history".

Mr Major also tried to lower the stakes in the controversy. "Occasionally there are spats as there are in the best of families," he said. "But they are very rare."

However, the prime minister explicitly rejected the term "special" - used by previous UK and US leaders to describe Anglo-American understanding - when describing the relationship

between the two governments.

During the meeting, Mr Christopher gave assurances to Mr Major that the US government would carefully audit the destination of any funds Mr Adams was raising from the US, to ensure they are not used for arms purchases.

Later in the day, Mr Major found himself at odds with Mr Dole, who told the prime minister he expected Congress to vote in the coming months for an end to the embargo on arms sales to Bosnia, contrary to UK policy.

However, Mr Major's position on Bosnia was backed by Mr Christopher.

Barings top executives go

Continued from Page 1

Barings with Mr Tuckey, would take his post as co-chairman of Barings Brothers. Mr Onno van den Broek remains the other co-chairman.

The Bank of England, which is investigating the collapse, said it had put no pressure on the men to resign.

The future of other executives who have been criticised for failing to resign may await the outcome of a Bank of England inquiry. ING has said that it does not want to prejudice the outcome of the inquiry by dismissing executives.

Mr Alistair Darling, Labour's City spokesman, said he did not "regard Mr Barings' departure as the end of the matter". He said it would not be closed until "effective action is taken against anybody who was at fault".

Russia ignores US pleas to cancel Iranian reactor deal

By Chrystia Freeland in Moscow

Russia yesterday rejected US pleas to cancel a planned billion-dollar sale of nuclear reactors to Iran, and threatened to stop complying with a conventional arms treaty if Nato rapidly admits east European countries.

The twin rejections were a chilly welcome for Mr William Perry, US secretary of defence, who had arrived in Moscow as a sign of the Clinton administration's continued faith in a close Russian relationship, even in the face of criticism from a hawkish Congress.

After meeting Mr Perry yesterday, Gen Pavel Grachev, Russian defence minister, put Russia behind Moscow's long-standing opposition to Nato's proposed

eastward expansion.

He warned that if the alliance expanded too quickly Russia might take "counter-measures", including breaking the rules of the Conventional Forces in Europe treaty which limits numbers and distribution of troops and armour.

Mr Victor Chernomyrdin, Russia's prime minister, delivered the second rebuff by refusing to comply with one of America's chief requests, that Russia stop its planned nuclear reactor deal with Iran, which the US fears could boost Tehran's efforts to acquire nuclear weapons.

Mr Bill Clinton, US president, is expected to raise the issue again when he visits Moscow next month.

Russian leaders also attacked Mr Perry for inappropriately rais-

ing the Iran deal during his meeting with the minister of defence. "The defence ministry has nothing to do with the sale of nuclear reactors," said Mr Victor Mikhailov, the nuclear energy minister, who was at Mr Perry's meeting with the prime minister.

Mr Perry told Mr Chernomyrdin that the US "does not share Russia's confidence" that tight controls on spent nuclear waste from the reactors would ensure Tehran did not use the material in a nuclear arms programme.

"The country [Iran] is awash with oil," Mr Perry said. "It is entirely clear, even to the casual observer, that Iran does not need nuclear reactors to generate electricity."

"So one starts off being suspicious of why they want nuclear reactors."

FT WEATHER GUIDE

Europe today

High pressure over France will slowly strengthen, giving plenty of sun with some cloud over France, Spain and the Alps. North of the high, a frontal zone will linger from northern Ireland and Scotland to the Netherlands, Poland and the Baltics. This front will separate cold air in the north from warmer air over the southern UK, France and central Europe. The front will cause rain over north-west Britain and the Benelux will have cloud interspersed with sunny spells. Farther east, the front will become active again resulting in mostly overcast conditions. The Mediterranean will be sunny and central Europe will be dry with sunny spells.

Five-day forecast

Ireland, England, the Netherlands and Denmark will have rain on Wednesday as a frontal zone moves east. Conditions in north-west Europe will then improve as high pressure builds near the UK. During Thursday, the north-west UK will have rain.

TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp
Abu Dhabi	33	Madrid	12	Paris	12
Accra	34	Belgrade	12	Rangoon	35
Algiers	22	Berlin	12	Reykjavik	2
Amsterdam	12	Bombay	21	Rome	20
Athens	21	Buenos Aires	21	S. Francisco	20
Bahia	21	Calcutta	21	Singapore	33
B. Aires	21	Dakar	21	Sydney	23
Bombay	21	Delhi	21	Taipei	18
Buenos Aires	21	Dubai	21	Tokyo	18
Calcutta	21	Hong Kong	21	Toronto	12
Chennai	21	Kuala Lumpur	21	Vancouver	13
Colombo	21	London	12	Verona	20
Dakar	21	Los Angeles	12	Vienna	14
Delhi	21	Manila	21	Washington	19
Dubai	21	Mexico City	21	Wellington	17
Hong Kong	21	Moscow	12	Wien	14
Kuala Lumpur	21	Mumbai	21	Zurich	19
London	12	Nairobi	21		
Los Angeles	12	Rangoon	35		
Manila	21	Reykjavik	2		
Mexico City	21	Rome	20		
Moscow	12	S. Francisco	20		
Mumbai	21	Singapore	33		
Nairobi	21	Sydney	23		
Rangoon	35	Taipei	18		
Reykjavik	2	Tokyo	18		
Rome	20	Toronto	12		
S. Francisco	20	Vancouver	13		
Singapore	33	Verona	20		
Sydney	23	Vienna	14		
Taipei	18	Washington	19		
Tokyo	18	Wellington	17		
Toronto	12	Wien	14		
Vancouver	13	Zurich	19		

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BICC Group

ENGINEERING TOMORROW'S WORLD

551 من الامم

مکتبہ اسلامیہ

INTERNATIONAL COMPANIES AND FINANCE

Vereinsbank confident of improved result this year

By Andrew Fisher
in Munich

Bayerische Vereinsbank is confident of improving on the profit it posted in 1994, when it fared better than most German competitors in a weak environment.

"Overall, we are looking for 1995 to be a thoroughly favourable year," said Mr Albrecht Schmidt, chairman. "We expect a good result." The first two months were mixed and below target, but own-account trading had produced a "clearly positive" result. No extra loan risks had emerged and interest rate business was slightly better. Commission business was down, however.

The bank has already announced an 8 per cent decline in group operating profits, to DM1.06bn (\$774.5m),

for 1994, with net interest income up 14 per cent. A strong performance on mortgage lending was offset by sharply lower own-account trading profits - down 90 per cent to DM7m as a result of weak bond markets - and higher staff and investment costs.

Mr Schmidt said total mortgage lending rose 12 per cent to DM167bn (66 per cent of total lending), but interest rate margins are much lower than on normal lending business. The share taken up by property loans - up 20 per cent to DM93bn - compared with loans to local authorities rose to 56 per cent from 42 per cent of the total.

He said most of the rise in property lending came from the private homes sector, in spite of the slowdown in new

business, he said there were still opportunities in property. Vacancy rates on the commercial side are low and there is a shortage of homes.

In the private accommodation sector, loan approvals eased by 2 per cent to DM14bn; of this, 64 per cent was in low-risk financing of new private homes. Approvals on the commercial side were 14 per cent lower at DM8bn.

Explaining the 12 per cent rise in group spending, to DM3.5bn, Mr Schmidt blamed anniversary expenses - the bank was 125 years old in 1994 - further integration of subsidiaries and investment in new services, new branches in Germany and abroad and computer systems. Risk provisions were unchanged at DM949m, and net income eased by 3.4 per cent to DM565m.

German steel group returns to the black

By Michael Lindemann in Bonn

Krupp Hoesch, the merged steel and engineering group, yesterday put two years of heavy losses behind it to report a net profit for 1994 of DM40m (\$29.2m), following a loss of DM590m the year before.

Mr Gerhard Cromme, chief executive, said the group had been helped by the worldwide economic recovery and extensive restructuring since its creation in late 1992. Group turnover rose to DM24.2bn from DM23.2bn in 1993.

Mr Cromme said he expected a "significant" profit this year, and hoped to further improve the company's debt, which stand at DM4.6bn. Full results for last year will be presented on May 17, the company said.

Compared with the same period last year, sales in the first two months of this year rose 14 per cent to DM3.2bn, while new orders climbed 9 per cent to DM3.8bn, he said.

Having achieved the turnaround, Mr Cromme said the group's priority was to move more production abroad, especially in the light of recent currency fluctuations which have driven up the D-Mark. "Increasingly, the group will be producing where its clients are," he said.

Steel and engineering were the only two of the group's six divisions to have reported losses last year, Mr Cromme said. There had been a "slight" loss on the engineering activities - where sales fell to DM2.8bn from DM2.95 in 1993 - because some companies within the division were still being dragged down by past restructuring costs.

Krupp Hoesch's steelmaking activities, the second biggest in Germany after Thyssen, were still restrained by debts to the state government for past help with redundancies.

About half of Krupp Hoesch's production is bound for foreign buyers, while only 25 per cent is produced abroad. Expanding production is likely to mean further investments in Brazil and Mexico.

Volvo shelves start to look bare

Sale of food businesses to Orkla provides Scandinavian solution

Volvo's plans to concentrate on its core vehicle operations took a big step forward yesterday when it announced the sale of its food businesses to Orkla of Norway and the formation of a joint beverage concern with the company.

The transaction gives Volvo an immediate SKr2bn (\$271.4m) capital gain, to be booked this year, and the prospect of a further big gain when it eventually sells its stake in the drinks company, probably before the end of next year.

It also initiates the dismantling of Volvo's Branded Consumer Products division, which is expected to produce total proceeds of around SKr20bn.

Volvo has now sold businesses worth SKr12.45bn since unveiling plans last April to sell around SKr40bn of non-core assets. The disposals have yielded capital gains of more than SKr7.2bn. Each sale gives the group extra muscle in its attempt to forge a future as an independent car and truck maker, following the collapse of plans to merge with Renault of France in late 1993.

The disposal programme is being matched by aggressive investments in core businesses, including a SKr5bn programme to expand European car and truck operations, and the recent move to take full control of VME, the world's fourth-largest construction and earthmoving equipment maker, for \$73m.

However, yesterday's deal is not quite as neat as Volvo would have liked. It leaves the Swedish group with 55 per cent

of a beverages concern - to be formed by combining its Prigge unit with Orkla's Ringnes division - when it would have preferred to have sold out completely.

Analysts also questioned whether the group had fetched the best price for its food and drinks units by opting for a Nordic solution, given the strength of international interest in the sale. Nestle of Switzerland, the Anglo-Dutch conglomerate Unilever, Conagra of the US, and the Danish brewing concern Carlsberg were among those showing interest, either individually or as members of consortia.

Volvo was felt to have had an instinctive preference for a Nordic solution: it wanted to keep its food and drink operations under regional control, not least because this is what management of the individual units favoured.

However, executives insisted that Orkla had offered them the best all-round deal, taking into account both financial and industrial aspects. There were also considerable tax advantages in dealing with the same partner for both the food and drinks businesses.

Mr Sören Gyll, Volvo chief executive, said it was almost certain Volvo's 55 per cent stake in Ringnes-Prigge would be sold by the end of next year - in line with the group's target of disposing of all its non-core operations.

The next stage in the disposal programme will be the sale of Swedish Match, the other big unit within BCP. Analysts believe this division, a world leader in matches and



Sören Gyll, Volvo chief executive, will be sold.

lighters, will fetch between SKr10bn and SKr12bn when it is sold, either to an industry buyer or a financial consortium. One source close to negotiations said yesterday: "Discussions are quite far advanced with a number of parties."

In Oslo, Orkla executives said the deal with Volvo would bolster its food and drink operations across the Nordic region, as well as in the Baltic states and in the St Petersburg region of Russia.

The acquisition of Procordia Food and Abba, Seafood, together with its 45 per cent shareholding in the new beverage company, will boost group sales to more than Nkr25bn from Nkr20.8bn in 1994 and give the company 21,000 employees.

"Orkla's food and beverage operations will now definitely be developed as Nordic units. Orkla's food operations in Swe-

den will be as large as in Norway and also become substantially larger in Denmark," said Mr Jens E. Hoyerdal, Orkla's chief executive.

The group said the Volvo deal would produce purchasing synergies - although it declined to quantify them - as well as providing a platform for further expansion, inside and outside the Nordic region. Orkla plans to maintain the 45 per cent shareholding in the new beverage company. When Volvo sells its holding through a stock exchange listing, the Norwegian company will become the largest individual owner. However, there was some surprise that Orkla had not opted to take a majority stake in the drinks concern at the outset.

Orkla said the acquisition of the Swedish companies was partially loan-financed, but that it had raised an estimated Nkr1bn (\$163.1m) through recent asset disposals. It said its strong financial position would not be changed much.

Nora, Orkla's food business, will be combined with Procordia Foods and Abba Seafood to form a food products group, with annual sales of slightly more than Nkr10bn and 7,200 employees. Ringnes-Prigge will have annual sales of an estimated Nkr7bn and 7,000 employees. On a pro-forma basis, the new company had sales in 1994 of Nkr75bn and operating profit of Nkr55m.

Christopher Brown-Humes and Karen Fosli

Strong advance at Enel on increased sales to industry

By Andrew Hill in Milan

Enel, the Italian state electricity company, trebled net profit to L1.035bn (\$698m) in 1994, which could be its last year as a wholly state-owned utility.

The group, one of the world's largest integrated electricity companies, was helped by a reduction in debt and financial charges and increased electricity sales, particularly to industrial clients.

In the calendar year 1993, Enel reported a net profit of L344bn.

The Italian government wants to sell off at least part of Enel this year, and is trying to push plans for a regulatory authority through the lower house of parliament following approval in the Senate.

However, deputies have raised objections to the draft legislation, which also provides for regulation of the telecoms and television sectors. Increasing worries that the privatisation timetable may be delayed still further. Two parliamentary committees will today reopen

discussion of the legislation, which may have to be split into different proposals, one for each sector.

Enel said it was "ready to face up to the challenges and opportunities" presented by rising competition and internationalisation of the sector.

Last year, Enel increased its gross operating margin by 29 per cent to L13.684bn, and operating profit rose by 35 per cent, as the company reaped the benefit of reduced costs, an improving economy and a restructuring of tariffs.

That helped fuel a 3.5 per cent increase in electricity sales, after nearly static sales in 1993.

At the same time, Enel managed to reduce its heavy debt burden to L34.594bn, from L38.483bn at the end of 1993, cutting financial charges by some L1.500bn.

Although debt is high by the standards of north European electricity utilities, analysts pointed out yesterday that Enel's debt was in line with its counterparts in southern Europe.

The group said that for the first time internal financing of L8.786bn had surpassed investment in plant, which reached L7.876bn.

Investment had already been cut by 14 per cent in 1993, to L8.749bn.

The company said it had also cut costs by 3.6 per cent per kilowatt-hour sold. The number of employees in the group has fallen to 101,800, against nearly 106,000 at the end of 1993.

The privatisation will be one of the most difficult yet attempted by the Italian government, partly because of Enel's size and partly because its shares are unquoted.

Under the latest privatisation plans, Enel would be sold off as an integrated group - with production, transmission and distribution operations intact - although competition in production would be encouraged.

The company is responsible for 80 per cent of electricity production in Italy and has a dominant position in transmission and distribution.

Pinault doubles earnings to FF1.2bn

By Andrew Jack in Paris

Pinault Printemps Redoute, the French retail group, more than doubled profits last year, to FF1.2bn (\$250.2m), in spite of the variable pace of economic recovery in the country.

Turnover rose 12 per cent to FF70.5bn, and the group said its diversity had allowed it to report operating profits up 16.7 per cent to FF2.99bn, from FF2.31bn the previous year.

The results included for the first time the effects of its purchase last year of a controlling shareholding in FNAC, the French books and records retail chain, after the sale of its two-thirds stake by Crédit Lyonnais, the loss-making state-owned bank, as part of its divestment programme.

It said its Prismic and Printemps shopping complexes, and La Redoute, France's largest mail order retailer, had stagnated. However, there was

an increase in profits from FNAC and Conforama, its white goods distributor, in spite of "mediocre" consumer spending.

Its professional divisions performed well, with improvements from Rexel, the electrical equipment distributor, Pinault Distribution and Pinault Equipement, its building materials business.

It said CFAO, the international trading arm, reported an increase in operating profits, in

spite of a 50 per cent currency devaluation, in the African franc zone.

The group's slight reduction in borrowings, to FF12.06bn from FF12.19bn, and a fall in interest rates meant it was able to halve financial charges during the year, to FF588m.

Pinault Printemps Redoute announced an exceptional charge of FF266m, which it said was largely to prepare for costs designed to improve productivity.

GULF INTERNATIONAL BANK B.S.C.

1994 Results

PROFITS OF \$74.8 MILLION

FINANCIAL HIGHLIGHTS (Audited)

	1994	1993	1992
EARNINGS (\$ millions)			
Net Income after Tax	74.8	88.2	63.7
Net Interest Revenue	97.3	89.1	89.0
Other Income	24.4	65.7	29.0
Operating Expenses	39.4	41.2	38.3

FINANCIAL POSITION (\$ millions)

Total Assets	7,574.2	7,171.8	8,340.2
Loans	3,416.8	3,060.1	3,170.8
Securities	1,675.8	2,036.4	1,685.2
Shareholders' Equity	558.2	528.4	485.2

RATIOS (%)

Return on Shareholders' Equity	13.4	16.7	13.1
Return on Assets	1.0	1.2	1.0
BIS Risk Asset Ratio	11.7	11.8	12.8
Shareholders' Equity as % of Total Assets	7.4	7.4	7.7
Liquid Assets Ratio	53.3	55.7	48.8

Principal features:-

- Net income of \$74.8 million represented a 13.4% Return on Shareholders' Equity.
- Net Interest Revenue rose by 9.2%. This was attributable to an advance in strategically developed net interest earnings.
- A decrease in non-interest earnings resulted from reduced securities trading profits.
- Total Assets rose by 5.8%.
- Loans and Advances advanced by 11.7% with continued emphasis on short term lending.
- A decrease in the Securities portfolio reflected a cautious stance with regard to the fixed income bond markets.
- The year end BIS risk asset ratio at 11.7% was strong by international comparison.

GIB is owned by Gulf Investment Corporation, the international investment banking corporation owned equally by the six Gulf countries that form the Gulf Cooperation Council. The audited financial statements are available upon request from the Public Relations Division at GIB's Head Office.



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Luxembourg 11, rue Aldringen
R.C. Luxembourg N° B11197

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Shareholders will be held at the registered office of the Company on April 18, 1995 at 3.00 p.m. with the following agenda:

Agenda

1. Presentation of the reports of the Board of Directors and of the Auditor.
2. Approval of the balance sheet and profit and loss account as of December 31, 1994.
3. Discharge of the Directors for the fiscal period ended December 31, 1994.
4. Election of Mr Steven Spiegel as a Director in replacement of Mr Thomas J. Lucey, resigning.
5. Re-election of Messrs John R. Verani, Takahiko Watanabe, Thomas M. Turpin, John C. Talamian, Alfred F. Brausch and Jean-Paul Thomas as Directors for the ensuing year.
6. Any other business which may be properly brought before the Meeting.

The shareholders are advised that no quorum is required for the items of the agenda and that the decisions will be taken at the simple majority of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may act at any Meeting by proxy.

By order of the Board of Directors

THE VENEZUELA HIGH INCOME FUND N.V.

DIVIDEND NOTICE

Consistent with the authorization granted by the Board of Supervisory Directors on March 16, 1995, notice is hereby given that the Fund will pay a distribution of US\$0.25 per share on April 17, 1995 to common shareholders of record at the close of business on March 31, 1995, in the case of shares held in registered form, or upon presentation of coupon number 15 attached to the common share certificate to the Fund's Paying Agent (on or after April 17, 1995), in the case of common shares held in bearer form.

By order of the Managing Director

Managing Director and Location of Principal Office

Principal Office
Curacao Corporation Company N.V., De Ruyterkade 62, PO Box 512,
Willemstad, Curacao, Netherlands, Antilles
Administration, Registrar, Transfer and Paying Agent
Citibank (Bahamas) Limited,
Thompson Boulevard, PO Box 11576, Ocean Field, Nassau, Bahamas
Investment Manager
Scudder, Stevens & Clark, Inc.

Notice of Adjustment to Conversion Price



ShinWon Corporation

(the "Issuer")

U.S. \$18,000,000

0.5 per cent. Convertible Bonds Due 2008

(Collectively, the "Bonds")
convertible into shares of preferred stock of the Issuer
(the "Preferred Shares")

NOTICE IS HEREBY GIVEN to the bondholders that, upon approval by a meeting of the Board of Directors held on 23rd March, 1995 of the issue of convertible bonds known as ShinWon 2008 0.5% Convertible Bonds, the Conversion Price per Preferred Share will be adjusted from Korean Won 13,705 to Won 13,951 with effect from 29th March, 1995 pursuant to provisions of the respective Trust Deed constituting the Bonds.

Bankers Trust Company, London

Principal Paying & Conversion Agent

4th April, 1995

NOTICE TO THE WARRANTHOLDERS OF

NIPPON COMSYS CORPORATION

(the "Company")

Bearer Warrants to subscribe for shares of common stock of the Company issued in conjunction with

U.S. \$100,000,000

1% per cent. Notes due 1998 with Warrants (the "Warrants")

Adjustment of Subscription Price

Pursuant to Clause 4 of the Instrument dated 3rd March, 1994 relating to the Warrants (the "Instrument"), Notice is hereby given as follows:

- (1) As a result of the issuance of U.S. \$100,000,000 1% per cent. Notes due 1998 with Warrants on 30th March, 1995 by the Company, the subscription price of the Warrants has been adjusted as follows:
Subscription Price before adjustment Yen L476.0
Subscription Price after adjustment Yen L472.8
Effective date of adjustment 31st March, 1995 (Japan Time).
- (2) The Company resolved at the meeting of the Board of Directors held on 14th March, 1995 to make a stock split in the form of the free distribution of shares on 19th May, 1995 to the shareholders of record as of 31st March, 1995 (Japan Time) in the ratio of 0.1 new share for each one share held by them. Accordingly, the subscription price of the Warrants has further been adjusted as follows:
Subscription Price before adjustment Yen L472.8
Subscription Price after adjustment Yen L338.9
Effective date of adjustment 1st April, 1995 (Japan Time)

NIPPON COMSYS CORPORATION

By: The Mitsubishi Bank, Limited, as Principal Paying Agent

4th April, 1995

JF JAPAN OTC FUND INC.

International Depository Receipts

issued by

Morgan Guaranty Trust Company of New York

evidencing 100 participating shares of USD 1 each

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting of the Company will take place on Friday, 15th May, 1995 at 12.30pm at Room 1, 4th Floor, Jardine House, 1, Connaught Place, Central, Hong Kong.

The Meeting will be held for the purpose of considering, and if thought fit, passing resolutions approving the accounts for the year ended 31st December 1994, reappointing the Auditors, re-electing and remunerating the Directors of the Company, approving the general mandate allowing the Company to allot and issue additional shares and to repurchase its own shares and warrants.

VOTING ARRANGEMENTS FOR IDB-HOLDERS

IDB holders who wish to vote must observe the following procedures: IDB-holders must deliver the IDRs to the depository at the latest on April 28, 1995 at the address given below (also: Securities Dept., telephone 222606, 84.45; telex 31728 MOREX).

Instructions to the Depository as to the manner in which votes should be cast, and indicate to whom the IDRs should be returned after the meeting.

IDB-holders who wish to vote are also requested to transfer to Morgan Guaranty Trust Company of New York, New York, for account 670.61.422 of Morgan Guaranty Trust Company of New York, Branch, a fee of USD 1 per IDR in respect of which a vote is cast.

Copies of the Annual Report are available from the Depository at the address indicated below.

Depository: Morgan Guaranty Trust Company of New York, 36 Avenue des Arts, 9-1000 Brussels

4th April, 1995

Bankers Trust Company, London Agent Bank

4th April, 1995

4th April, 1995

4th April, 1995

4th April, 1995

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4th April, 1995

4th April, 1995

صكرا من الامن

Partners IN GROWTH

YOU'RE LOOKING FOR
UNPARALLELED
GLOBAL RESOURCES AND
UNLIMITED HUMAN
RESOURCEFULNESS.

YOU DON'T WANT
ONE-SIZE-FITS-ALL
ANSWERS, YOU WANT
ONE-OF-A-KIND
SOLUTIONS.

MONSANTO HAS BEEN
GROWING WITH
A BANK LIKE THAT.
FOR 75 YEARS.

After 75 years, the partnership between Citibank and Monsanto is growing faster than ever before. Year after year, as Monsanto expands around the world, it relies on Citibank to anticipate its global needs with customized financial solutions.

CITIBANK 

INTERNATIONAL COMPANIES AND FINANCE

Kemper Corporation to spin off stockbroking arm

By Maggie Urry in New York

Kemper Corporation, the US financial services group which has spent the last year under threat of takeover, has agreed to spin off Kemper Securities, its stockbroking division.

Kemper Securities is the 10th largest broker in the US, with nearly 1,300 investment consultants.

However, Kemper Corporation refused to comment on speculation that it had rejected bids for its insurance division. It said it continued to seek ways to maximise shareholder value.

The stock market was unimpressed by yesterday's deal, and the shares fell 8 1/2% to \$39 1/2 in midday trading.

Last year's highest takeover bid was worth \$67 a share.

The deal involves Kemper Securities' employees - including the economist Mr David Hale - buying a 35 per cent stake in the business through

an employee stock option plan (ESOP) for \$72m.

Another 44 per cent of Kemper Securities shares will be distributed to Kemper Corporation shareholders as a "property dividend".

The remaining 1 per cent will be issued to Kemper Securities management in the form of non-voting shares.

The deal is expected to be completed within 90 days. Kemper Securities will change its name, dropping the word Kemper, and obtain a listing for its shares.

Kemper Corporation said the deal would cause an after-tax loss of \$70m in 1995 and cut its shareholders' equity by \$127m.

To make Kemper Securities more attractive, a \$82m loan it owes to Kemper Corporation would in effect be cancelled, and it would sell some illiquid securities to its parent, although these were "not material", Kemper Corporation said. The parent will also take

responsibility for four lawsuits, although these are not expected to have a material effect on Kemper Corporation.

The ESOP will borrow the cash to buy its 55 per cent stake from a syndicate of banks.

The four-year loan will be secured on the stock and guaranteed by Kemper Securities.

Mr David Mathis, chairman and chief executive of Kemper Corporation, said of the deal: "We believe it represents the most efficient and economically attractive way to realise value now from the brokerage segment."

The sale follows a turbulent year for the group. It received an offer last spring from GE Capital, the financial services arm of General Electric, but rejected that bid, later accepting a \$1.8bn approach from Conesco, the insurance group. However, Conesco was eventually unable to finance the bid, which lapsed in November.

California healthcare deal creates US leader

By Richard Waters in New York

Two California-based groups, Wellpoint and Health Systems International, yesterday announced terms for a merger that will create the largest publicly-owned US managed healthcare organisation.

The new group would have annual revenues of \$60m, compared with \$3.7m last year at United Healthcare, the next biggest. The merger is the latest and largest so far among such groups, which have flourished in recent years as Americans have sought ways to reduce healthcare costs.

With about \$1.5bn of cash on its balance sheet and a low gearing ratio, the new group would also be well positioned to pursue other acquisitions across the country. Such growth is "the number one strategic priority", HSI said yesterday.

The new group would operate a network of health maintenance organisations which covers 3.2m people, slightly smaller than the 2.4m people covered by United Healthcare's HMOs.

These organisations provide low-cost health services to their members by restricting the range of hospitals, doctors and drugs to which they have access.

In addition, the two companies said they would have 2.9m people in looser, preferred provider organisations (known as PPOs) and similar plans. The deal is subject to shareholder approval, and approval from anti-trust authorities.

Under the terms of the deal announced yesterday, Wellpoint will pay out \$12.31 a share in a special dividend ahead of the merger, amounting to \$1.2bn out of its total cash and debt of \$2bn. Shareholders of both companies will then be given stock in a new company.

HSI shareholders will receive 45 per cent of the new company's stock, comprising 26m voting shares and 24m non-voting "B" shares. All of the "B" shares will be issued to the California Wellness Foundation, the charitable organisation which is its largest shareholder.

Wellpoint's 80 per cent shareholder, Blue Cross of California, will receive 44 per cent of the shares. It will also receive \$985m in the special cash distribution to be made by Wellpoint.

The Blue Cross organisation and the Wellness Foundation said they would sign an agreement to co-ordinate their plans to reduce their stakes in the new company over time.

Wellpoint's minority shareholders will receive the remaining 11 per cent of the new company's stock, together with the special cash dividend.

Schering emerges in strong shape

Radical shake-up has improved earnings prospects, writes Judy Dempsey

When Mr Giuseppe Vita joined Schering, the Berlin-based international pharmaceuticals company, in 1984, he did not intend to stay long.

"I wanted to join my brother in the US. And I really wanted to learn English," he says. "After studying radiology at Rome and further research at the university of Mainz, I managed to get a job at Schering." And there Mr Vita has remained, rising through the ranks to become chairman in 1989.

Throughout those three decades and especially over the past six years, Mr Vita has helped restructure the core pharmaceutical company.

It has shed its once ungainly structure of a mixed bag of industrial chemicals, natural substances, and electrophoretic divisions. These were sold off in the early 1980s.

Even the agrochemicals division has been hived off into a 40:60 joint venture with Hoechst, the German chemicals conglomerate.

"We are pretty pleased with the restructuring. It is 80 per cent complete," says Mr Vita, a softly-spoken Italian.

The shake-up entailed a severe cost-cutting programme, begun nearly three years ago when other German companies were slow to rationalise. The workforce was cut by 24 per cent to 18,300 and more redundancies are on the way, particularly at Schering's administrative headquarters in Berlin.

Mr Vita believes the company can save a further DM200m (\$144m) over the next year or so.

Schering has modernised and restructured its production plant at Bergkamen, in the heart of the old coal-mining region in western Germany.

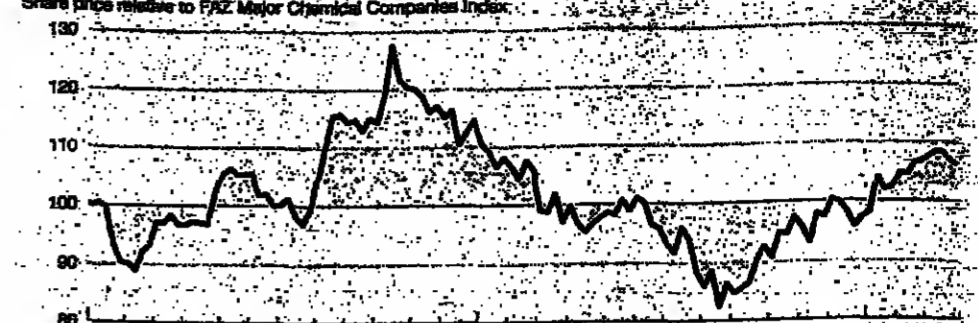
In addition, says Mr Vita, Schering has used outside institutes and facilities to carry out research and development.

Analysts believe Schering's R&D expenditure over the next four years could total between DM800m and DM850m, with external research, including alliances with universities and companies, rising 30 per cent.

Finally, as the company concentrates on pharmaceuticals, it plans to shift to proprietary products from licensed-in products.

Schering

Share price relative to F&E Major Chemical Companies Index



Source: Datastream

ucts (products developed by outsiders) for its contrast media/imaging division. The division takes in x-ray equipment, magnetic resonance imaging and ultrasound.

Mr Mark Tracey, a pharmaceutical analyst at Goldman Sachs, expects Schering's licensed-in products for contrast media will fall to about 30 per cent from 60 per cent over the next few years.

"Schering is on course to lower costs. The plant at Bergkamen should cut production costs for contrast media (imaging-x-ray) by about a half," he says.

As it restructured, Schering had to make an important decision: whether to become a global force, marketing hundreds of products, or securing a niche, backed up by innovation and experience.

"Schering chose the latter course. It is now well positioned strategically," says Mr Francesco Gregori, an analyst at Paribas Capital Markets.

Mr Vita also sees the merit of that decision. "No one firm can be the major player in all segments of the market. We have a very strong niche in the products in which we have chosen to specialise," he said.

That niche comprises three categories. First, contrast media, which accounts for 40 per cent of Schering's sales which last year rose 12 per cent to DM4.7bn. Group net profits also increased 12 per cent to DM254m last year.

Schering is a global force in contrast media, with a 32 per cent share of a market worth DM50m. Mr Vita believes that

Introduction later this year of Levovist, an ultrasound product, should further boost profits.

The second category comprises hormones and fertility control, accounting for 30 per cent of sales and in which Schering has a 21 per cent share of the world market.

The third is therapeutics, which include cardiovascular drugs and treatment for leukaemia, accounting for 24 per cent of sales.

Europe and Germany contribute 43 per cent of sales, with Japan and Asia rising by 2 per cent last year to 26 per cent.

Mr Vita believes Asia, especially China and Latin America, will continue to expand.

But at the moment, all eyes are fixed on the US market, where sales were up 64 per cent last year to 17 per cent of the group's turnover. Mr Vita remains calm. In spite of market turbulence.

"We can weather the storm, even though the D-Mark is so strong against the US dollar," he said last month when presenting the group's 1994 results.

Mr Vita expects Schering will have to revise downwards this year's forecast rise in total turnover to about 6 per cent from 9 per cent. However, analysts believe it may be dampening expectations, partly to complete the socially sensitive restructuring programme.

The extraordinary rise in sales on the US market is largely due to one drug which makes up the fourth, and new category for Schering: Betaseron, the multiple sclerosis treatment which is available only in the US but which

should be approved by European health authorities later this year.

Betaseron, which came on the market in late 1993, had sales last year of DM250m and Mr Vita is confident they will reach at least DM500m this year.

"Betaseron is very important for us. But remember, Betaseron only accounts for 10 per cent of our total turnover. We cannot depend on that drug alone," he cautions.

However, the markets have nonetheless tended to watch every twist and turn of Betaseron's programme, perhaps eclipsing the fact that Schering's 19 per cent rise in profits last year may mask its true profitability.

There were several exceptional items. For example, subsidies to companies based in Berlin were scrapped in line with government policy in 1993.

In addition, Schering last year made a pre-tax payment of DM64m to convert its books to international accounting standards in an effort to make the company more transparent to its shareholders.

Mr Tracey of Goldman Sachs points out that "now the one-off in-and-out payments have been made, we have a very clear picture of Schering's profitability which indicates that growth could remain very strong," said.

Mr Vita himself expects that from this year until 2000, profits after tax will rise by 10 per cent, which would confirm that the restructuring, and his decision to stay in Europe, had paid off.

Placer Dome in takeover bid for International Musto

By Bernard Simon in Toronto

Placer Dome, the international mining group, has found its long sought-after acquisition target in Vancouver-based International Musto Explorations, whose main asset is a stake in the rich Bajo de la Alumbrera copper and gold deposit in Argentina.

Placer has offered to buy all Musto's outstanding shares at C\$12.50 each, or a total of US\$304m.

It said yesterday that one of Musto's biggest shareholders, with a 36 per cent stake, had agreed to tender his shares, on condition that a rival bidder does not top Placer's offer by more than 50 cents a share.

Musto's stock closed at C\$10.88 on the Toronto

stock exchange last Friday. Musto owns 50 per cent of Bajo de la Alumbrera. The other shareholder is Australia's MIM Holdings, which has agreed to contribute US\$120m towards the US\$780m cost of developing the property.

MIM and Placer are partners in the Porgera gold mine in Papua New Guinea.

The Placer offer is subject to a minimum of 90 per cent of Musto's shares being tendered. The offer is expected to expire about April 28.

A recent feasibility study indicated that the Bajo de la Alumbrera deposit, which is located on the eastern slopes of the Andes, contains 11.9m oz of gold and 6.4m lbs of copper. Subsequent drilling points to further reserves.

Placer currently estimates

annual output at 500,000 oz ounces of gold and 37m lbs of copper over 18 years, with costs well below the world average. It said, however, that "a new mine plan currently being finalised by MIM and International Musto indicates production figures may increase."

Placer Dome Canada, a division of Placer Dome, plans a takeover bid for the minority-held shares of Equity Silver Mines, which operates a silver, copper and gold mine in British Columbia. Renter reports from Vancouver.

Placer Dome Canada, which owns 58.8 per cent of Equity Silver, said the offer of C\$0.70 a share represented a premium of 46 per cent over the closing price of Equity Silver shares on March 31.

CAI warns of more cost cuts

By Robert Gibbens in Montreal

Canadian Airlines International has warned its unions they must accept a further C\$125m (US\$88m) of cost-cutting by June 30 if the company is to compete under the "open skies" regime.

Nearly 12,000 employees are already contributing to the survival of Canada's second-biggest carrier through payroll deductions. In return they get rights to buy stock in PWA, the parent company.

CAI is due to re-negotiate its collective agreements this spring. It has already set up a joint management-labour com-

mittee to recommend ways of improving its financial position.

The committee recently reported that annual operating cash flow must be increased by C\$35m a year to handle route expansion, fleet additions and achieve a return to adequate profitability. This is equal to a 14 per cent reduction in costs per seat mile.

CAI is asking employees for significant gains in productivity and long-term changes to its union contracts. It is also shaking up management and has called in the Boston Consulting Group to advise on labour-management planning.

The company said agreement

must be forthcoming by June 30 or the network will have to be restructured and the company reduced in size.

Analysts said CAI has many loss-making domestic routes. It needs increased cash flow to meet debt repayments due in the next two years.

The two biggest CAI unions have retained the US Airline Pilots Association to review the company's finances by the end of this month.

Mr Tony Johnston, CAI vice-president of employee development, said the options facing CAI were disclosed to all employees this weekend "to ensure everyone knows exactly what is at stake".

Ingersoll-Rand in Clark tender

By Richard Waters

Ingersoll-Rand yesterday followed through on a promise made last week to launch a hostile bid for Clark Equipment, a rival US machinery maker, with an all-cash offer worth \$1.3bn.

The tender offer came as Clark failed to respond to Ingersoll-Rand's request for discussions over an agreed merger.

Ingersoll-Rand also said it was proposing a list of seven nominees to stand as directors of Clark at the company's annual general meeting on

May 9. If they won enough support from Clark's shareholders, the new directors would tilt the balance of power on the company's board in favour of Ingersoll-Rand.

This so-called proxy battle is the latest sign of the re-emergence of a tactic often used during the 1980s by acquisitive companies to force their targets into submission.

Mr James Perrella, chairman and chief executive of Ingersoll-Rand, said the action had been taken after "repeated efforts" to arrange a meeting to discuss the company's proposals had been rebuffed.

In a letter to his counterpart at Clark, Mr Leo McKernan, Mr Perrella said the company would have preferred an agreed merger, and continued to be interested in a friendly deal.

The tender offer will expire on April 28, unless extended, Ingersoll-Rand said.

Clark's shares continued to hover above the offer price as the stock market anticipated a higher bid in the coming weeks.

The shares rose \$4 yesterday morning, to \$38. Ingersoll-Rand's shares climbed 4% to \$33.

Rules on disclosure tightened by IASC

By Jim Kelly, Accountancy Correspondent

The International Accounting Standards Committee has agreed a new code for the reporting of financial instruments - including the disclosure of derivatives.

The IASC confirmed that the new standard, IAS 32, was both tougher on disclosure than a draft published last year and ahead of both UK and US accepted practice.

Ms Liesel Knorr, IASC acting secretary-general, said: "Both investors and lenders need to have a much better idea of whether risky derivatives are being used. The disclosures we are now asking for will make it much easier to assess the risks companies run when they use financial instruments, such as derivatives."

She admitted that while the collapse of Barings, the UK merchant bank, had not affected the wording of the standard, it had had a profound effect on the measurement of financial instruments.

The committee said the new standard had put more emphasis on the importance of explaining the nature and extent of the use of financial instruments and the risks undertaken than had been envisaged in the draft.

The new provisions cover financial instruments ranging from debt to derivatives, including interest rate risk, credit and fair value. They include a requirement to disclose information about financial assets carried at an amount exceeding fair value.

Mr Bruce Picking, technical director of the Institute of Chartered Accountants in England and Wales and technical adviser to the UK delegation to IASC, said international standards were becoming increasingly relevant to a number of countries.

For companies wishing to follow IASC standards, the new rules apply for accounting periods after January 1 1995.

Novo Nordisk A/S

The Company will hold its Annual General Meeting for the Shareholders on

Tuesday, 25 April, 1995, at 4.30 pm at Laursensvej 45, Bagsvaerd, Denmark.



Agenda:

- The Board of Directors' report on the Company's activities in the past financial year.
- Presentation of the Financial Statements, the Auditors' Report and the Annual Report as well as the Consolidated Financial Statements.
- Resolution concerning adoption of the Profit and Loss Account and the Balance Sheet, including discharge of Management and Board of Directors from their obligations.
- Resolution concerning application of profits according to the adopted Financial Statements.
- Election of members to the Board of Directors.

The Board of Directors propose re-election of:

Palle Marcus, Managing Director, for the period of 1995-98

Professor Allan Philip for the period of 1995-98

Professor Jaromir Ruzicka for the period of 1995-98

Hans Werdelin, Managing Director, for the period of 1995-98

Mads Øvlsen, Managing Director, for the period of 1995-98

6. Election of auditors.

- Proposal from the Board of Directors to authorise the Board of Directors until the next Annual General Meeting to let the Company acquire own shares of up to 10% of the share capital and at the price quoted on the date of purchase with a deviation of up to 10%, cf. Section 48 of the Danish Companies Act.

B. Miscellaneous.

Admission cards and ballot papers are available by postal application or for collection at the address Novo Allé, Building 6A, 2880 Bagsvaerd, on weekdays between 10 am and 2 pm from 4 April to 20 April, 1995, both days included. Requisitions in writing must be received by the Company no later than 20 April, 1995.

If shares are entered in the Company's Register of shareholders under the holder's name, admission cards and ballot papers will be issued to the shareholder when stating the nominal value of his/her shares.

In respect of shares not entered in the Company's Register of shareholders, admission cards are issued against production of documentation of ownership, satisfactory to the Company, eg a deposit statement not more than five days old from The Danish Securities Centre or the institution holding the shares on deposit, as documentation for the shareholder stating that the shares neither have been sold after issuance of the statement nor that it is the intention of the shareholder to do so before the Annual General Meeting.

The Agenda, the exact wording of the proposals and the Financial Statements, the Auditors' Report, the Annual Report as well as the Consolidated Financial Statements will be available for inspection by the shareholders at the above-mentioned address on weekdays between 10 am and 2 pm from Tuesday, 4 April to Tuesday, 25 April, 1995, both days included. The Agenda and the Annual Report will be sent to all shareholders whose shares are registered under the holder's name in the Company's Register of shareholders. The documents are available from the Company.

The dividend as approved at the Annual General Meeting will - after deduction of withholding tax - be sent to Novo Nordisk A/S' shareholders directly via The Danish Securities Centre.

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Bagsvaerd, April 1995
The Board of Directors

Bramalea set to be broken up

By Robert Gibbens in Montreal

Bramalea, the Canadian residential and commercial property developer which has been in court protection from its creditors since 1992, faces being broken up over the next two months as a result of a court decision.

Up to 100 office buildings, shopping centres and development sites will be sold on behalf of Bramalea's creditors. The company is likely to retain only a few shopping centres whose current market value exceeds mortgage debt.

An orderly sale of Bramalea assets "is preferable to the

chaos that would ensue from a sudden collapse", said Mr Justice Lloyd Houlden. The company's assets total more than C\$5bn (US\$7bn), including a large North American land bank.

A plan to obtain a C\$900m equity infusion from a group of international investors, led by US financier Mr Steve Green, collapsed in March.

On Thursday, Bramalea won a court order requiring all its lenders to put up C\$8m cash so it could keep its doors open and proceed with the property sales. The banks supported Bramalea's programme, but mortgage holders objected.

Bramalea, a casualty of the 1991 property market collapse, is burdened with C\$3.5bn debt.

Under the plan, about 100 properties will be released from court protection for sale. Bramalea will retain only 12.

An Ontario pension fund is likely to buy Bramalea's 50 per cent interest in several big Canadian shopping centres. Last June, the fund spent C\$300m in buying the other 50 per cent, plus two other shopping centres, from Trizec, another troubled Canadian property group which was rescued by Mr Peter Munk, the Toronto financier who controls Barrick Gold and Horsman.

Sharp setback for Swiss travel group in year

Reisebüro Kuoni, Europe's third-biggest travel group, yesterday reported sharply lower 1994 net profit of FF818.1m (\$11.7m), blaming a one-time reserve for potential tax charges in the UK. Renter reports from Zurich.

Kuoni said group profit fell from SF44.7m in 1993, while parent profit rose to SF36.5m last year from SF11.5m.

The group, which adopted a new capital structure in an effort to boost liquidity and investor interest, predicted a better year as a result of growing world tourism.

Mr Riccardo Gullotti, chief executive, said claims to tax charges on business done by Kuoni's UK subsidiary in the late 1970s slashed the profit figures.

Axa in FF2.3bn issue of convertible bonds

By Andrew Jack in Paris

Axa, one of France's biggest insurers, yesterday announced a FF2.3bn (\$400m) issue of convertible bonds which it said was designed to support its acquisitions and reinforce its capital base.

The search for new capital comes at a time when the group has been actively seeking to buy rival insurers in Europe, the Americas and Asia, as part of a broad strategy of making itself into a more international business.

The new bond issue, for which priority subscriptions will open today, comes after the group published annual results showing net income up 11 per cent at FF2.27bn.

Axa said the bonds - which are priced at FF270 each - may be converted to equity at any time after April 18, the day after they begin to trade. Each bond is convertible into a single share, and carries an annual coupon of 4.5 per cent of the issue price.

Existing shareholders will have first rights to subscribe to the new issue, and are able to apply ahead of others until April 10. They will be allowed to buy one bond for every 15 shares already held. Other subscribers can apply until the bonds begin to trade.

In January, Axa bought a controlling stake in National Mutual of Australia for A\$1.1bn. It has also recently bought Wing On Life in Hong Kong and Singapore.

Mr Bruce Picking, technical director of the Institute of Chartered Accountants in England and Wales and technical adviser to the UK delegation to IASC, said international standards were becoming increasingly relevant to a number of countries.

For companies wishing to follow IASC standards, the new rules apply for accounting periods after January 1 1995.

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NEWS DIGEST

Seagram keeps market guessing on Du Pont stake

Seagram, the North American drinks company, and the US chemicals group Du Pont both refused comment yesterday on a press report that Du Pont might be about to buy back the 25 per cent of its stock owned by Seagram, writes Tony Jackson in New York.

According to The New York Times, the deal, which would cost Du Pont around \$10bn, would clear the way for Seagram to bid for MCA, the Hollywood studio.

Matsumura, MCA's Japanese parent, is known to be contemplating the sale of all or part of the company. Last year Mr Steven Spielberg, the film director, and Mr David Geffen, the record mogul, left MCA to form their own entertainment company with Mr Jeffrey Katzenberg, the former Disney studio chief.

Seagram, which also owns 15 per cent of the US media and film group Time Warner, has been rumoured as one of a number of possible buyers.

Seagram bought the Du Pont stake in 1981 for \$3.28bn.

Mannesmann turnover shows strong rise

Mannesmann, the German engineering and telecommunications group, yesterday said turnover in the first two months of this year rose 14 per cent over the same period a year earlier, writes Michael Lindemann in Bonn.

The company declined to give precise figures but said that new orders rose 24 per cent over the same period.

During a press conference at the Hannover trade fair, the company also said it now had 390,000 clients for its D2 mobile phone network, up from 380,000 at the end of last year.

Deutsche Telekom, its main competitor, had 327,000 clients by then.

Mr Joachim Funk, chief executive, said that the recent currency fluctuations had led to "irritations" and warned that there were likely to be further job losses if the D-Mark remained at its present high level.

However, he said he was optimistic about the prospects in 1995 for the engineering industry, saying that business was likely to remain brisk as investment rose across Europe for the first time since 1990.

Mobil returns to Venezuela

Mobil, the US energy group, has returned to Venezuela as an investor after an absence of 20 years, purchasing a 50 per cent stake in Venezuela's largest privately held lubricants company, Nagional de Grasas Lubrificantes, writes Joseph Mann in Caracas. No price was announced.

Mobil owned extensive oil production and refining operations in Venezuela until 1976 when the Venezuelan government nationalised the oil industry. Today Mobil is still an important international buyer of crude oil sold by Venezuela's national oil company, PDVSA, which last year developed a programme to open its exploration and production sectors to private capital.

The lubricants company where Mobil is now a partner is part of the Venoco group of companies, which is controlled by the family of Mr Julio Sosa, until recently Venezuela's finance minister. Mr Sosa founded Venoco, which works in the lubricants and petrochemical sectors, in 1980.

Mobil is one of dozens of international oil companies planning to bid on exploration risk contracts for crude oil and natural gas scheduled to be let later this year by PDVSA.

Topdanmark dividend passed after loss

Topdanmark, the Danish insurance group, reported a DKr427m (\$78.7m) loss for 1994, its worst result ever, compared with a profit of DKr107m in 1993, writes Hilary Barnes in Copenhagen. No dividend will be paid after what the board described as one of the most turbulent years in the company's history, when its ability to survive as an independent company was brought into doubt.

However, the group is completing a financial restructuring plan, launched at the end of last year, with a rights issue this month. This is expected to raise DKr750m.

Last year's losses arose partly as a result of a fall in the value of the securities portfolio, but the key item was a loss of DKr375m by the finance division, which has been at the heart of Topdanmark's problems for the past three years. The group sold off its main domestic banking operation, Aktivbank, last year, but carried losses for the first four months of the year. Topdanmark's two foreign banks, Aktivbank of Stuttgart, and National Bank of Long Beach, California, continued to make substantial losses.

The group said yesterday that it had completed the sale of the California bank another

bank in the state, Metrobank. Aktivbank is also being disposed of.

The insurance operations made progress last year, improving operating profits to DKr206m from DKr74m.

Sulzer lifts income despite sales slide

Sulzer Technology, the Swiss engineering and medical equipment group, said its net income rose 5 per cent last year to SFr195m (\$173m) in spite of a 9 per cent slide in net sales to SFr6bn, writes Ian Rodger in Zurich.

Operating income increased 7.8 per cent to SFr269m against a difficult economic background, the group said in a preliminary statement. The directors said they would recommend an increase in dividends from SFr18 to SFr20 a share.

Sulzer said the figures were distorted by the sharp rise of the Swiss franc against other leading currencies last year. In local currencies, sales were down only 4 per cent.

Sulzer has been moving more of its manufacturing activity out of Switzerland in recent years, and now claims nearly half of its value is created outside of its home country.

BHP plans A\$645m capital spending

Broken Hill Proprietary, the Australian resources group, yesterday announced the approval of three projects for its steel division, involving total capital expenditure of A\$645m (US\$473m), writes Nikki Tait in Sydney.

The first is a A\$200m cold-rolling, metallic coating and paint facility, which will be built on the west coast of the US, and will supply building and construction markets in the Pacific north-west.

BHP Steel also plans a A\$265m cold-rolling, metallic coating and painting facility in Thailand, which - like the US plant - will go into construction in the second half of 1995, and be progressively commissioned over the following two years. A further A\$100m is to be spent upgrading the steel rolling mill at Western Port in Victoria.

Norwegian drillers plan to merge

Transocean and Wirth, two Norwegian offshore oil and gas drilling contractors, said yesterday they would recommend a merger to create one of the world's largest drilling companies, writes Karen Fosell in Oslo.

Under the deal, Transocean will take over Wirth, whose shareholders will trade four of their own shares for three Transocean shares. Full details of the proposed deal will be unveiled before June 1, but the merger, if approved, will be retroactive from January 1.

The new company, to be called Transocean, will have annual turnover estimated at NKr3bn and be ranked among the world's top three drilling contractors alongside US-based Readings & Bates and Sonat Offshore Drilling.

Mr Kristian Sten, chairman of Wirth, has been proposed as chairman of the new company while Mr Ole Lund, chairman of Transocean, would become deputy chairman.

Metallgesellschaft row in US flares up again

The wrangle in the US between Metallgesellschaft, the German metals and energy trading group, and Castle Energy, a former US affiliate, flared up again yesterday as the German group said it was taking legal action to recover \$105m, writes Richard Waters in New York.

MG said the money was owed it by Castle under loans which matured at the end of last week, but that the money had not been repaid.

The dispute marks a re-emergence of a long battle between the two sides which appeared to have been settled last October. At that time, MG gave up various claims over Castle in return for Castle agreeing to yield its rights under long-term contracts to supply MG with oil products.

The settlement, not directly connected to the big losses on oil trading in the US which brought MG to the verge of collapse, involved the German group giving up claims worth about \$500m.

At that time, MG agreed to continue financing Castle's two refinery operations, Powerline Oil Refining and the Indian Refining partnership, until the end of March. MG said it had taken action in state court in New York against Indian Refining, and in Delaware against Castle, which guaranteed the loans.

ITT in \$1bn loans sale

ITT has reached agreement to sell a \$1bn portfolio of home equity loans, marking another step in the US conglomerate's retreat from financial services, writes Richard Waters. Transamerica, the San Francisco insurance group which agreed to buy the loans, will pay a \$30m premium. The deal will release \$200m of equity which had been tied up in the home equity business, ITT said.

By Joel Kibazo in London

The crisis at Meridien BIAO, an independently-owned bank with branches in 20 African countries, deepened yesterday as Tanzania's central bank announced it was taking over management of the bank's local operations.

The Bank of Tanzania cited large foreign exchange exposure positions - estimated at

around \$30m - for its move and said it had taken the action to protect the interests of depositors.

The Tanzanian authorities said they had replaced Meridien's board and management with a team from the central bank.

Mr Abdul Rashid, governor of the central bank said: "There is no way the Tanzanian operation can be allowed to operate in its present form

without jeopardising interests of depositors and the public." He said problems at the bank in Tanzania had also been brought about by "a poor lending policy which lacked proper scrutiny, and rapid expansion."

The new team has been asked to recover debts owed to the bank and seek repatriation of hard currency held overseas by Meridien BIAO.

Tanzania's move is another blow to the ambitious group,

headquartered in Zambia. Last week, the Zambian central bank took over Meridien BIAO Bank Zambia, split it from the rest of the Meridien BIAO group and appointed a new management team. The authorities had already poured in K47.8m (\$69.4m) since the start of the year to help with liquidity before taking it over.

Kenya shut down the bank last month and authorities in Swaziland have also taken over

local operations pending a sale. First National Bank in South Africa last week confirmed it had been approached by Swaziland's central bank about acquiring Meridien BIAO's operations in that country.

An announcement on the outcome of those talks is expected within the next few days.

Other African governments were said to be watching the situation closely.

Peregrine Investments dips 24% and cuts payout

By Simon Holberton in Hong Kong

Peregrine Investments Holdings, the Hong Kong merchant bank, came down to earth yesterday when it cut its dividend and announced a 23.9 per cent fall in net profit to HK\$650.7m (US\$84m) from HK\$855.6m for the year to the end of December.

Directors declared a final dividend of 25 cents a share which, with the 25 cents paid at the interim stage, makes 50 cents for the year - a cut of 16.6 per cent.

Earnings per share were 50 per cent lower at 60 cents a share.

The company said that this year was likely to be even more "challenging" than 1994. The second half of last year, and the final quarter in particular, had witnessed an "increasingly difficult operating environment" for the group, with rising interest rates leading to depressed stock markets and poor fund-raising conditions.

The company said: "It is difficult to be optimistic about 1995." But, it added, US interest rates appear close to their peak and Asian economies remain strong.

"Overall, 1995 is expected to be a difficult year but one that will hopefully set the scene for improvement in 1996," the bank said.

Peregrine Investments Holdings

Share price relative to the Hang Seng Index

110

90

80

70

60

Source: FT Graphite

Peregrine said that lower stock market and corporate finance activity was the main reason behind the 1994 results. In particular, the stock market decline led to a sharp fall in trading profits, to HK\$27m from HK\$182m in 1993.

Set against the poor performance in corporate finance and stock markets were derivatives, where profits were up 95 per cent, and direct investment, which showed a gain of 45 per cent during the year.

During last year Peregrine was involved in HK\$33.1bn of capital raisings for Hong Kong and China, of which it played a senior role in HK\$24.9bn.

ICI New Zealand in acquisition

Burns Philp, the Australian company which has been shedding non-core assets to concentrate on its food ingredients business, has sold its New Zealand-based Chemical Cleaning unit to ICI New Zealand, part of the UK-based chemicals group, writes Nikki Tait.

No price was disclosed, but Burns said the unit's sales were about NZ\$50m (US\$32.7m) a year. Chemical Cleaning imports, blends and distributes chemicals used in the dairy and paper sectors.

Terms outlined for Tokyo-Mitsubishi merger

By Emiko Terazono in Tokyo

The Bank of Tokyo and Mitsubishi Bank, the two Japanese banks which last week announced their plan to merge, yesterday outlined the basic terms of the alliance.

The merger will create the world's biggest bank, to be called the Bank of Tokyo-

Mitsubishi. Mr Tasuku Takagaki, currently president of the Bank of Tokyo, said the two companies had agreed a merger deadline of April 1 1996, although it could be brought forward to October. A date would be decided by June, he said.

The merger ratio has been set at one Bank of Tokyo share

being equal to 0.8 of a Mitsubishi Bank share. Mitsubishi plans a 0.05 to one gratis share issue for its shareholders ahead of the merger.

Mr Takagaki will become president of the new bank and Mr Tsuneo Wakai, the current Mitsubishi president, is to be chairman.

Mr Kazuo Ibuki, Mitsubishi chairman, is scheduled to become adviser, but the banks have not decided on the status of Mr Toyoo Gyoten, Bank of Tokyo chairman and former ministry of finance bureaucrat.

The new bank will use Mitsubishi's current head office building in Marunouchi, central Tokyo, as its headquarters.

Credito Italiano

A joint stock company - Registered Office: Genoa (Italy) Via Dante No. 1 - Head Office: Milan (Italy) Piazza Cordusio
Registered with the Genoa Court, in the Companies Register under No. 22 and in the Banks Register and belonging to the Credito Italiano Banking Group, registered in the Banking Groups Register with Code No. 2003-1 - Member of the Interbank Fund for Deposit Protection
Capital: Lit. 1,120,000,000,000 (one thousand one hundred and twenty billion lire) fully paid up

CALLING OF AN EXTRAORDINARY SHAREHOLDERS MEETING

With a view to including in the Articles of Association, provisions as to the right to vote by mail as per the Ruling issued by Banca d'Italia, CONSOB (the Italian Securities and Exchange Commission) and ISVAP (Insurance Companies Supervisory Authorities) on December 30, 1994, Shareholders of Credito Italiano are called to attend an Extraordinary Shareholders Meeting to be held on April 27, 1995 at 6.30 p.m. in the Bank's Registered Office in Genoa, in Via Dante No. 1. If necessary, a second sitting will be held on April 28, 1995 at the same address at 3.00 p.m. and again if necessary, a third sitting on April 29, 1995 at the same address at 10.30 a.m., to discuss and debate upon the following

AGENDA

To amend Articles 12, 15 and 17 of the Bank's Articles of Association as follows:

Article 12	Current text	New text
Article 12	Entitled to attend General Meetings are the holders of ordinary shares who, provided they are duly registered in the Shareholders' Register, have deposited their shares according to law no less than five (5) days prior to the day of the Meeting.	Entitled to attend General Meetings are the holders of ordinary shares who, provided they are duly registered in the Shareholders' Register, have deposited their shares according to law no less than five (5) days prior to the day of the Meeting.
Article 15	The Chairman of the Board of Directors shall preside over every General Meeting of the Shareholders, but, in his absence, or should he in any way be prevented from attending a meeting, then the sole Deputy Chairman or, should there be two Deputy Chairmen, the elder of the two shall preside, or should he be absent or in any way be prevented from attending, the other Deputy Chairman shall preside. Should both the Chairman and the sole or both of the Deputy Chairmen be absent or prevented from attending, then the Meeting will be presided by a Director or by a Shareholder elected by those present. Whomsoever presides the Meeting will be assisted by a Secretary elected by those attending the Meeting. The Chairman at General Meetings shall be fully empowered to rule on the validity of the proxies and generally on the right of Shareholders to take part in the Meetings, to determine whether such Meetings are regularly convened and whether the necessary quorum is present, and to direct and oversee the proceedings. The Chairman shall formally state whether a Meeting has been validly convened and held. The Chairman shall appoint two scrutineers from among the Shareholders present.	The Chairman of the Board of Directors shall preside over every General Meeting of the Shareholders, but, in his absence, or should he in any way be prevented from attending a meeting, then the sole Deputy Chairman or, should there be two Deputy Chairmen, the elder of the two shall preside, or should he be absent or in any way be prevented from attending, the other Deputy Chairman shall preside. Should both the Chairman and the sole or both of the Deputy Chairmen be absent or prevented from attending, then the Meeting will be presided by a Director or by a Shareholder elected by those present. Whomsoever presides the Meeting will be assisted by a Secretary elected by those attending the Meeting. The Chairman at General Meetings shall be fully empowered to direct the proceedings. These include, for example: • ruling on the validity of the proxies and generally on the right of Shareholders to take part in the Meetings; • ruling on the correctness of voting forms received by mail and, generally speaking, that the voting rights themselves are correctly availed; • determining whether such Meetings are regularly convened and whether the necessary quorum is present; • directing and overseeing the proceedings; • deciding as to how the votes cast are to be counted, including recourse to electronic systems. The Chairman shall formally state whether a Meeting has been validly convened and held. The Chairman shall appoint two scrutineers from among the Shareholders present.

Article 17	Current text	New text
Article 17	All resolutions, including elections to corporate offices, will be valid if passed by a show of hands.	All resolutions, including elections to corporate offices, will be valid if passed by open vote. All votes cast by those physically present at the Meeting will be valid if passed by a show of hands.

To delegate to the Chairman and the Deputy Chairman, Managing Director & CEO, jointly and severally, all powers required to render the above resolution enforceable, to accept and introduce into the above amendments and the new articles of the Bank's Articles of Association any amendments, additions and deletions which may be required by Banca d'Italia and the Law at the time of ratification and to lodge and register same pursuant to the Law.

The text of the Proposed Resolutions together with the Explanatory Note are on deposit at the Bank's Registered Office and Head Office and at Monte Titoli S.p.A.

All Shareholders who possess ordinary shares may attend the Meeting, providing that they are listed in the Shareholders Register and have deposited their shares with any branch of Credito Italiano or with Monte Titoli S.p.A., at least five days before the date scheduled for the Meeting.

We inform Shareholders that they may also avail themselves of the right to vote by mail as envisaged by the abovementioned Ruling.

The voting forms, together with the admission tickets must be received by Credito Italiano - Ufficio Affari Societari - Piazza Cordusio - Casella Postale No. 991 - 20123 Milano (Italy) no later than the third business day before the date scheduled for the Meeting (i.e. by April 21, 1995 for the Meeting to be held on April 27).

THE BOARD OF DIRECTORS

Shareholders are courteously invited to arrive well ahead of time, so as to expedite entrance formalities and consequently ensure that the Meeting may start punctually.

Shareholders who intend to avail themselves of their right to vote by mail, must - as envisaged by law - deposit their shares with any branch of Credito Italiano or with Monte Titoli S.p.A. (via any member bank of this centralised securities management company). Shareholders will be given an admission ticket as well as a self-addressed envelope to be used to send the voting documents to the Bank. Same must be received by the Bank within the abovementioned time limit. Should Shareholders require any further information on how to vote by mail, they should either contact any branch of Credito Italiano or call FREE PHONE NO. 1670-18781 from April 12 through to and including April 24, 1995 from 9.00 a.m. to 4.30 p.m.

This notice has been published in compliance with CONSOB ruling No. 5553 of November 14, 1991 and the joint ruling issued by Banca d'Italia, CONSOB and ISVAP on December 30, 1994.

NOTICE
ASAHI GLASS COMPANY, LIMITED
(the "Company")

Bearer Warrants to subscribe for Shares of Common Stock of the Company issued with
U.S.\$370,000,000
5 1/2 per cent. Notes 1998

Notice is hereby given that the Company has resolved at the General Meeting of Shareholders held on 30th March, 1995 to change its Financial Year as follows:

- Financial Year before change:
from 1st January of a year to 31st December of the same year.
- Financial Year after change:
from 1st April of a year to 31st March of the following year.

In accordance with such change, the current financial period of the Company began from 1st January, 1995 and ended on 31st March, 1995.

ASAHI GLASS COMPANY, LIMITED
1-2, Marunouchi 2-chome,
Chiyoda-ku, Tokyo, Japan
4th April, 1995

US\$300,000,000
Eagle Pier
Corporation B.V.
Floating Rate Secured
Notes due 2001

Notice is hereby given that the notes will bear interest at 6.6875% per annum for the period 3 April 1995 to 30 June 1995. Interest payable on 30 June 1995 will amount to \$1,788.84 per \$100,000 note. The Class A-2 notes will bear interest at 7.375% per annum. Interest payable on 30 June 1995 will amount to \$1,838.70 per \$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Mortgage Funding
Corporation No 1 Plc
£175,000,000 Class A-1
£25,000,000 Class A-2
Mortgage backed floating
rate notes March 2020

For the interest period 31 March 1995 to 30 June 1995 the Class A-1 notes will bear interest at 7.175% per annum. Interest payable on 30 June 1995 will amount to \$1,788.84 per \$100,000 note. The Class A-2 notes will bear interest at 7.375% per annum. Interest payable on 30 June 1995 will amount to \$1,838.70 per \$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

COMPANY NEWS: UK

Burmah rises on strong demand in N America

By Robert Corzine

Buoyant trading conditions in Asia and the US last year helped boost net profits at Burmah Castrol, the specialist oil and chemical producer, from £17.1m to £19.7m (£250m).

Exceptional items included a \$50.6m profit from the sale of Castrol's Singapore site and a \$26.8m loss from a property revaluation.

Earnings per share rose from 53.1p to 69.4p. The group announced a total dividend of 32.5p per share (27.5p) including a final of 10p and a 12.5p foreign income dividend.

Mr Lawrence Urquhart, chairman, said the group intended to "maintain our long-established progressive dividend policy."

Mr Jonathan Fry, the chief executive, said that turnover was up just 6 per cent to £2.93bn (£2.78bn).

Operating profits from lubricants, which account for the bulk of the group's business, were up 18 per cent worldwide to £181.2m, against £153.9m.

Demand was particularly strong in North America and Asia, where profits rose by 37 per cent and 33 per cent, but trading in Europe remained difficult, Mr Fry said.

Operating profits at the chemicals division jumped by 34 per cent to £48.5m. Mr Fry said much of the improvement



Jonathan Fry: European trading remained difficult

was attributable to cost reductions at Fosco, the subsidiary which supplies chemicals to the metallurgical industry.

Fosco also benefited from higher demand and the introduction of new products.

Chemicals demand grew strongly in the fourth quarter, and executives predicted continuing strong growth this year.

Burmah Castrol's fuels business continued to suffer last year. Profits worldwide were down 19 per cent to £20.7m after a "disastrous first half", according to Mr Fry. The divi-

sion was hit hard by the economic crisis in Turkey and difficult operating conditions in the UK, where supermarkets continue to erode the market share of traditional service stations.

Mr Fry said the fuels business remained a "core activity." But it was not as central to Burmah Castrol's future as chemicals and lubricants, and the company would be willing to discuss its sale.

Strong cash flow allowed the company to cut its net gearing to 50 per cent compared with 72 per cent in 1993.

Operating profits increased

Morgan Crucible 10% higher as price rises hold

By Motoko Rich

Economic recovery in most of its markets and price rises which held, helped Morgan Crucible, the specialty materials manufacturer, lift pre-tax profits 10.5 per cent in the year to January 4.

Mr Bruce Farmer, managing director, said order books for the current year were showing their strongest start since 1988.

Margins rose from 10.2 per cent to 10.5 per cent, and were continuing to rise this year.

"The benefits of price increases, new product development and restructuring are now showing through in improved margins. The year has started on a strong note," said Mr Farmer.

Group turnover rose slightly from £793m to £795m (£1.27bn). Excluding the sales of Holt Lloyd, the car care business sold to management in August, turnover rose 7 per cent from £690m to £738m.

Operating profits increased

from £81.2m to £83.7, a rise of 3 per cent.

North America and continental Europe showed the strongest growth, while the UK market was more subdued. The South American and Australasian markets were flat, and in South East Asia, sales grew strongly except in Japan, where demand was depressed.

The main area of weakness was in technical ceramics, where margins were squeezed because of a cutback in the defence and aerospace industries in the US.

Net cash inflow was \$52.3m (£0.8m), the bulk of which reflected the sale of the Holt Lloyd business. Year-end net cash rose from £8.6m to £9.6m, on net borrowings of £10.8m.

Earnings per share rose from 20p to 22.1p. The final dividend is 7.15p, making a total for the year of 13.1p per share (12.6p).

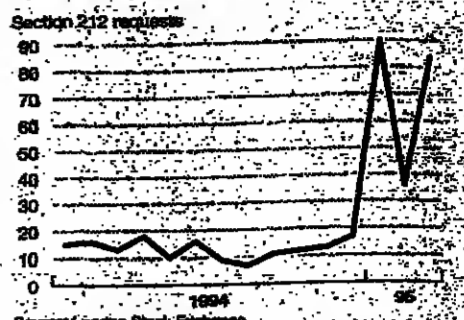
On a forecast of pre-tax profits of £81m, the forward p/e is about 13.5, a slight premium to the market.

LEX COMMENT
Market-makers

The London Stock Exchange is struggling to overcome its reluctance to bite the hand that feeds it. The decision to review market-makers' exemption from disclosing any holding of more than 3 per cent in a quoted company was prompted by controversy over holdings in Northern Electric and Yorkshire Electricity by Swiss Bank Corporation's market-making arm. But the problem ultimately stems from dramatic changes in market practice since Big Bang. Market-making has become inseparable from dealing for one's own account. Yet one of the options in the Exchange's consultative document is to reinforce the distinction between traditional market-making and proprietary trading. This would be unenforceable, in practice.

Instead, facilitating market liquidity should be the criterion for exemption from disclosing stakes. Market privileges are not designed to help dealers make profits from large positions, whether or not these may then be hawked around to potential predators. SBC's 8 per cent stake in Yorkshire Electricity was several times larger than any other market-maker's holding, suggesting it was not driven purely by client demand.

Forced disclosure of market-makers' holdings



Source: London Stock Exchange

All investors - including market-makers - should be forced to disclose positions of more than 3 per cent. But completely scrapping the current exemption is not even on the Exchange's list of options. Moreover, despite the recent controversy, one of the four options set out yesterday was "no change to present arrangements".

Cookson pays up to \$150m for MPM Enterprises

By David Wighton

Cookson, the industrial materials group that has just raised £130m (\$310m) from a rights issue, is to pay up to \$150m for MPM Enterprises, a US electronic materials manufacturer.

The consideration consists of an initial \$65m in cash, with a further payment of up to \$85m depending on its financial performance over the next three years.

MPM makes screen printing equipment which is used in surface mounted printed circuit board assembly. Cookson's existing Alpha Metals and Electrovert operations make specialist materials and equip-

ment which are also used in surface mount technology processing.

Mr Richard Oster, Cookson's chief executive, said: "By including MPM within our existing electronics materials operations, we progress towards being able to offer customers total process solutions using a combination of Cookson materials and equipment."

At the time of the rights issue, Cookson announced the acquisition of Tolaram, a US film manufacturer, for an initial \$60m and said it was in advanced negotiation on two further acquisitions in electronic materials and ceramics.

Mr Oster said: "The acquisition further strengthens our

position as a market leader in a fast growing segment of the worldwide electronics industry, and is a prime example of the target complementary acquisitions to which we referred at the time of the recent rights issue."

MPM made a pre-tax profit of \$9.8m (£6.1m) on sales of \$55.5m in the year to June, 1995. Net assets at that date were \$12.5m.

Cookson's electronic materials division saw profits jump to \$22.6m (£17.1m) last year, boosted by previous acquisitions.

The rights issue, which closed last week, was taken up by 98.3 per cent of existing shareholders.

Bemrose up 47% on US sales boost

By Geoff Dyer

A doubling of sales in the US allowed Bemrose Corporation, the promotional and security printer, to report a 47 per cent increase in 1994 pre-tax profits.

Helped by the first full-year contribution from McLeery Cumming, the second largest US publisher of advertising calendars which was acquired in 1993, group sales were 40 per cent higher at £125.7m (£80.0m), against £90m, and pre-tax profits rose from £10.8m to £15.8m.

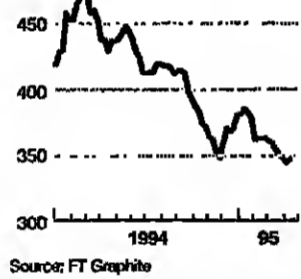
As a result of a string of small acquisitions, the advertising and promotional products division, which produces diaries and calendars, now accounts for 70 per cent of sales, up from 45 per cent three years ago.

Operating profit in the US doubled to £9.67m (£4.65m) on sales of £87.7m (£35m). Mr Roger Booth, chief executive, said that the market for promotional pens and pencils was the fastest growing sector. The group acquired Ritepoint/Chromatic, a Missouri-based pen manufacturer, in August for \$5.5m.

UK operating profits were flat at £6.73m (£6.65m). Mr Booth said that operating margins for promotional products in the UK of 10 per cent were 4

Fortune Oil doubles and moves into distribution

Share price (pence)



Source: FT Graphicals

to 5 per cent lower than in the US, but that in the next two years the UK would "catch up".

"The security printing division recorded stable sales of £38.2m (£38.3m), despite severe competition in the transport tickets market. New products, such as Russian lottery tickets, have allowed the group to diversify away from the declining bank cheque market.

Gearing was down at 41 per cent (46 per cent), despite £14.4m expenditure on acquisitions and investment.

Earnings per share increased 12 per cent to 32.45p (28.99p). A final dividend of 8.3p is recommended, making 13p (11.54p) for the year.

From turnover up from £41.7m to £56.5m (£91m) after-tax profits of £23.7m (£23.4m), and gas exploration concern, doubled to £1.06m for the year ended December 31, compared with £503,000.

Mr Barry Cbeung, chief executive, said that oil trading had been the company's primary business and although that would still be an important contributor, "our goal is for infrastructure investment and distribution to account for the bulk of our earnings within three or four years."

Earnings per share were unchanged at 0.1p.

Drummond converts

Chargeurs is likely to increase its stake in the ordinary shares of Drummond Group, the textile company, from 8 per cent to more than 23 per cent in a share conversion.

The diversified French group, with interests including textiles and broadcasting, is to convert 1.65m of its 2.5m variable rate preference shares into 3.5m ordinary shares at 47p. Other shareholders will be offered the shares on a 1-for-5 basis at the same price.

The redemption of Chargeurs' outstanding variable rate preference shares will be deferred and the conversion rights to all its convertible preference shares, which represent the total of that class, will be cancelled.

Anglo-Eastern

Anglo-Eastern Plantations more than doubled full year pre-tax profits, from £2.83m to £6.32m, (\$10m) thanks to higher prices for its three commodities - palm oil, rubber and cocoa.

Turnover for 1994 was ahead at £12.9m (£8.01m). Earnings per share rose to 18.5p (7.4p) and a single final payment of 3p is proposed as a foreign income dividend, against last year's total of 1.65p.

Chloride forecast

Chloride, the electronics group, has eliminated a loss-making activity with the sale of Chloride El Paso, its power supplies business based at El Paso and Juarez on the US/Mexico border, to a US company for \$1m cash.

The purchaser is International Music Corporation, one of Chloride's main customers.

Taking CEP's losses into account, Chloride warned that for the year to March 31 its pre-tax profits before exceptional items would be below market expectations at about £2.2m. Chloride will take an exceptional loss on the disposal of about £2.7m.

RMC Austrian buy

RMC Group has bought a 24.92 per cent interest in RMC Austria, a leading aggregates producer. And K-U has bought 24.92 per cent of Lieferbeton, a wholly owned RMC subsidiary. The net result is a payment of £16.3m (\$80m) by RMC and a £20.4m valuation of the stake in Lieferbeton.

Famous Grouse fails to satisfy

By Roderick Oram, Consumer Industries Editor

Highland Distilleries, maker of Famous Grouse Scotch whisky, reported lower than expected pre-tax profits for the six months to February 28 after a lost momentum in home and export markets, reversing a long trend which had seen it outperform the sector.

Its shares fell 26p to 357p on news of profits of £23.7m (£38m), compared with £23.4m, and against a consensus forecast of £24.5m. Analysts downgraded forecasts amid doubts that Highland could quickly regain its momentum. At the turn of the year the shares were trading at 440p.

"It looks like both sources of momentum are slowing after a very good run over the past three or four years," said one analyst.

Export volume growth dwindled to 5 per cent against about 15 per cent over recent years when Highland benefited from distribution through Remy Cointreau, the French drinks group.

Mr Brian Ivory, chief executive, said exports were affected by a 10 per cent fall in duty free sales and some destocking in France. The group's underlying trend was still good and outperforming the industry's 3 per cent export growth.

UK shipments were up 6 per cent but competition remained stiff. Market share of Famous Grouse, second to Guinness's Bell's in the UK, has slipped from 13.8 per cent last August to 13.5 per cent. Highland stuck with its policy of premium pricing during the Christmas period and has since raised prices by about 3.5 per cent to cover costs.

Donnelley bids for ICD

RR Donnelley, the US printing group, has made an agreed £9.4m offer for international Communication & Data, the USM-traded marketing services and database group.

The offer, made via RR Donnelley Marketing Services, is 14.5p cash for each ICD share. The deal has been accepted in respect of 35 per cent of the ordinary shares. Continental

Foods, which is headed by Mr David Cicurel, ICD's chairman, is accepting the offer for its 10.76 per cent stake and will receive £1m.

ICD also released its interim results, showing halved pre-tax profits of £36,000 (£191,000) for the six months to November 30. Turnover dropped from £29.1m to £22m and earnings per share came to 0.15p (0.34p).

New products help JCB to record

By Andrew Baxter in Munich

JCB Bamford Excavators, the UK's biggest construction equipment manufacturer, reported 1994 pre-tax profits almost trebled from £26.6m to a record £72.9m. And it is expecting even higher results this year.

The figures, announced yesterday at Bauma, the Munich construction equipment fair, underline the rapid recovery from the recession made by debt-free, privately-owned JCB. Its profits reached a low of £8.3m in 1992.

Turnover surged from £396.4m to £564.1m, with exports shipments increasing from 11,508 machines to 18,025. In unit terms the company is now the world's fifth biggest construction equipment producer, said Sir Anthony Bamford, chairman.

Mr Tim Leadbeater, commercial and planning director, said

JCB had recovered much more quickly from the recession than it did after the downturn in 1980 and 1981. This was partly due to the strength of JCB's new product programme. New machines introduced over the past five years contributed nearly £140m of turnover in 1994.

The surge in profits was mainly volume-based, and JCB was able to raise prices only slightly, said Sir Anthony. "The construction equipment business remains very competitive."

The Staffordshire-based company cut £25m from overheads during 1992 and 1993, and remains strongly cash generative, in spite of increased working capital to reflect the higher volumes. Its cash inflow, which surged from £2.1m in 1992 to £51.8m in 1993, was £38.6m last year.

To cope with the rising demand, JCB's worldwide



Sir Anthony Bamford: market remains very competitive

50th birthday, this year, has long relied on exports to boost sales, though last year sales rose slightly faster in the UK than overseas, advancing by 55 per cent to £226.6m. That reduced exports from 63 per cent of turnover to 60 per cent.

Sir Anthony said "exports should rise to a more normal 65-70 per cent of sales this year as UK turnover stabilised."

Overall, he said profits should rise a little this year. The US market, where sales rose 42 per cent last year, was still growing. Initial reports from continental European subsidiaries, which saw a sales rise of 38 per cent, indicated a further rise this year.

The sharp rise in profits has triggered the first payments in a tax-free profit-related pay scheme for all 2,700 UK employees, who received £700 at Christmas and are due for a further payment of about £200 at Easter.

UK profits by comparison were expected to increase further with price rises and margin improvements more than compensating for a forecast 2 per cent fall in volumes sales of aggregates and a 5 per cent drop in coated stone volumes.

US markets were likely to remain flat. A fall of 45 per cent in US housebuilding was expected largely to be offset by rising private commercial and industrial construction.

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FINANCIAL TIMES SURVEY

GALICIA

Tuesday, April 4 1995

Page II: uncertain economy; banks' deep roots; profile of Manuel Fraga Iribarne

Page III: cars, cans and fishing. Page IV: tourism; border trade; public works

It is not often that Galicia, the most isolated of Spain's mainland regions, finds itself at the centre of things. When it does come into the international spotlight, it is usually because of a fishing dispute.

Since this northwestern corner of Spain is the base for almost half the country's fishing fleet, the protagonists of recent strife, whether with the British over imminent Spanish access to fishing grounds or with the Canadians over trawler catches, have been Galicians. Their trawlermen are viewed with hostility by people such as the Newfoundlanders or the Cornish, with whom they have much in common. Equally, there is nothing like a good fight to prove how Galicians can pull together in adversity.

Galicia has more resources than fisheries, but the vicissitudes of the fishing industry reach deep into its economy and society. One in 25 jobs is at sea. A large part of industry depends on it, from canning to the construction of fishing boats, almost the last remnant of the shipbuilding sector which was once the region's industrial mainstay.

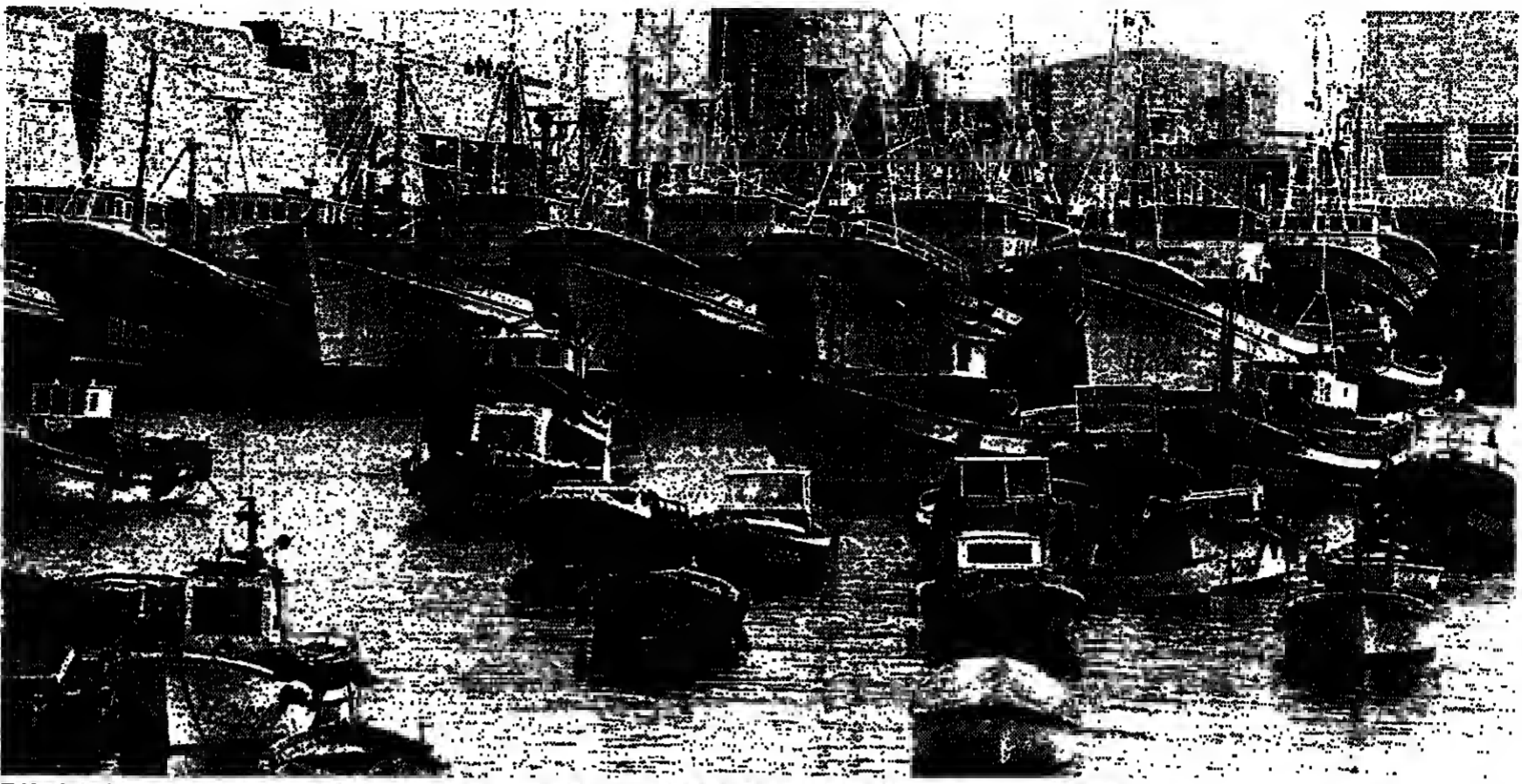
In what is still in many respects a retarded region, the bulk of the population has slowly but steadily spilled down from the smallholdings of the interior to the relative wealth and industrial ports of the western coastal strip.

With 2.7m people in a territory roughly the size of Belgium, Galicia is turned towards the coast, with its back to the rest of Spain. Poor connections with the centre of the country - in the process of being overcome - have left it virtually hidden away.

Galicia is distinctive, its people renowned for their reserve (a *galleguista* in Spanish is an evasive answer) and peasant superstition. Celtic roots are still evident in its music. With its wet Atlantic climate, it is an unspoilt land of granite mountains, lush valleys and jagged coastline, its glorious *rias* or estuaries providing livelihoods for mussel-growers (Galicia is the world's biggest producer) and smugglers alike.

In spite of EU funds, the apprehension which in northern Spain greeted the country's accession nine years ago has been largely vindicated. Galicia's experience stands out in contrast to that of Mediterranean regions. Membership has meant limits on its agricultural staples - milk, above all. At the same time, entry into the common fisheries policy (now set for next year) was delayed, accentuating the sector's overcapacity.

"The balance of the European Union has up to now been negative," asserts Mr Antonio Ramallo, the outspoken head of Galicia's employers' confederation, arguing that the region has not received equivalent benefits in improvements to its infrastructure. "Galicia will not resolve its



Fishing boats in the harbour at Burela: there is nothing like a good fight to show how Galicians pull together in adversity. Financial Times photograph

Down to the sea in ships

Fishing is the staple industry of this remote Atlantic region of Spain. But the fleets are having a tough time and Galicia is developing other means of income, writes David White

basic problems until it neutralises its distance from the centre," he says.

Mr Manuel Fraga, the veteran politician who has been the region's president for the past five years, accepts that the EU has generated "mixed feelings". Benefits, he says, have been unequally distributed.

The presence of a political heavyweight such as Mr Fraga, formerly leader of Spain's conservative opposition, has unquestionably raised the region's profile both in Spain and in Europe. This is recognised by Mr Xerardo Estévez, the Socialist mayor of Santiago de Compostela, the regional capital, where part of the neoclassical town hall facing the cathedral is given over to the Galician government, known as the Xunta. He says Mr Fraga "has given prestige to the region without any doubt".

Mr Fraga believes there is a new, less passive mood in the region. "People did

not think it was possible to change things here," he says.

Galicia was one of three "historical nationalities" recognised by the Spanish Republic in the 1930s, and was on its way to self-government when the Civil War intervened. Although General Franco was a Galician - the naval port of Ferrol, his birthplace, was rebaptised El Ferrol del Candillo during his dictatorship - he is regarded as having done little to favour the region.

In the post-Franco process of regional devolution it was given fast-track treatment, with its own president and parliament established in 1981. Mr Fraga's Popular Party now holds 43 of the 75 parliamentary seats, making Galicia the most secure conservative territory in the country, albeit with Socialist encroachments.

Galicia is distinct from the Basque Country and Catalonia in not having a dominant regional nationalist party with backing from the business class. Nationalism grew here in the 19th century in parallel with the other two regions but was, and is, more limited in its support. Mr Fraga's Basque and Catalan counterparts see their territories as something more than regions. But Mr Fraga is happy with

the word "regionalism". Galicia, he says, is not going for self-determination. But he is too canny a politician to set precise limits to its aspirations. "In politics and history there are no fixed ceilings," he says.

To the surprise of those who have watched Mr Fraga from his early career as a minister under the uncompromisingly centralist Franco, he has emerged as a champion of regional causes. He is actively campaigning for the EU principle of subsidiarity - leaving functions to the appropriate level of government - to be applied not just to member states but to regions, and seeking a formula which would enable regional governments to take cases to the European Court.

Mr Fraga is at the same time arguing for greater inter-regional solidarity in share-out of funds. He is pressing for reform of the financing arrangements whereby Spanish regions receive 15 per cent of the

tax collected on their territory, advocating a more complex system capable of providing "a guarantee of minimum services for all".

Self-government has reinforced Galicia's sense of its own identity, notably through the reinstatement of the Galician language, a relative of Portuguese with Spanish traits and some oddities of its own. With it has come Galician-language television and a rash of publishing houses.

In common with other regional governments, Galicia's bureaucracy has had its problems - including the accumulation of a Ptas270m (\$225m) debt and a series of local affairs about jobs and contracts being dished out to friends and relatives. But under Mr Fraga crucial services - notably the telephone - have been brought up to date, new instruments created to assist business, and the ground laid for future growth in sectors such as the food industry, forestry and "quality" tourism.

However, Mr Fraga still sees Galicia as fighting a battle alongside other peripheral areas of Europe against a disequilibrium favouring more central regions. "There is a historical deficit that has to be repaired," he says.

Until recently, unemployment has been low compared with the rest of Spain - an apparent contradiction for a region which has been a source of heavy emigration in the last century, first to Latin America and later to northern Europe. Both phenomena reflect the archaic structure of rural Galicia, crowded with small, divided and inefficient farms. Almost 30 per cent of employment is still in the primary sector, a proportion seen practically nowhere else in Europe. In many cases this does not mean full-time jobs. Social security payments outweigh agricultural income in many communities. Old age and low skills are characteristic of the farming population. Not untypical is O Páramo, a municipality grouping 18 parishes in Lugo province, where the death rate is three times the birth rate. Many farmers still cultivate potatoes, maize, turnips, wheat or barley mainly for their own consumption.

The countryside is still recognisable from writer Gerald Brenan's description more than 50 years ago. "The country is dotted over with little farms each containing just enough land to support one family... Each family has its own cow, which does the ploughing and provides a little cheese and milk."

Nor would Galicia's leaders today contest his conclusion: "Generally speaking, one may say that the remoteness of Galicia from the rest of Spain and from its social and political problems (a remoteness accentuated by an execrable railway system) has been its chief characteristic." But they are in a hurry to consign that reality to the past.

GALICIA

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GALICIA III

■ SOCCER

Coruña team walks tall

Real Club Deportivo de La Coruña is one of Galicia's institutions, never more than in the last couple of seasons. And so is its chairman, Mr Augusto César Lendoiro, whose imperial first names match his combative reputation.

This is the one part of Spain that does not go in for bullfighting, and so there is nothing to rival soccer. But Galician clubs have rarely made the big time. Today the region is unique in having three teams in the Spanish first division: Deportivo, only a penalty short of winning the league title last year, is Spain's footballing revelation of the 1990s.



When Mr Lendoiro took over in 1988 it was a struggling second division side weighed down by debt. Once Deportivo chairman Lendoiro: the before it was toast of A Coruña and Galicia.

run-ner-up, in 1994-95, a memorable season when it thrashed Real Madrid 5-0, but it has spent more time out of the first division than in it.

"In a way it is a bit the dream of all Galicians, who never imagined they could have a champion side," Mr Lendoiro says of the club's recent success. "We could have been champions, and still could be."

Deportivo was founded in 1907 as an offshoot of a local gym, the Sala Calve. In those days they also played cricket in the town known in English as Coruna.

The club had its own 1914-18 war, when dissidents seceded to form an alternative team, Deportivo F.C. Auténtico. The two were eventually reunited. Then came rivalry with the newly-formed Celta club in Vigo, bitter from the start when Deportivo poached all Celta's top players.

tion football was disrupted by the Spanish civil war, but not in this northwesternmost province. The Riazor ground which the club uses today was bought by the town hall shortly before the war ended in 1939, just off the waterfront. From the grandstand, if you are not enjoying the football, you can watch the Atlantic rollers crashing in on the beach.

For Mr Lendoiro, the excitement generated by Deportivo's exploits marks a break from the "rather apologetic" way of thinking typical of Galicia.

The club's blue-and-white strip represents the colours of both the town and the Galicia region. Like Spain's big-city teams, Deportivo - Dépor for short - has its own gang of hard-core fans, the Riazor Blues.

Mr Lendoiro set the club on a new financial footing by turning it into a limited company in 1992. Ownership is widely spread amongst Deportivo's 25,000 members. Mr Lendoiro says 95 per cent of shareholders own three shares or less.

The chairman, a 49-year-old lawyer, is also a leading local figure in the conservative Popular Party - in Galicia the ruling party but here in opposition to the Socialists. He and Mr Francisco Vázquez, the town's popular Socialist mayor, were once intimate friends. In school, Mr Lendoiro recalls, they shared the same desk. Has their relationship survived their political rivalry? "It seems not," he smiles.

But he adds: "I would not exchange being chairman of the club for being mayor. In Deportivo you are president of all the Coruñeses. There's no opposition."

David White

■ CANNERIES

Dented by the supermarkets

Everything and nothing has changed at the Bernardo Alfageme canning plant since it first opened for business at the port of Vigo in 1973. Machines pack, seal and label the tins but the tuna is first cleaned by hand by women poised by the conveyor belt, often a grandmother sitting between her daughter and granddaughter.

The plant is built around an atrium and the glass-plated executive offices of the family-run firm stand by a wooden corridor that looks down on to the machines, including huge pressure cookers, the conveyor belts and their attendant women on ground floor level.

Taking pride in Alfageme's antiquity, Mr Ramón Calvo, the managing director, explains that he literally put his foot down when European Union inspectors suggested that he replace the corridor's ship-deck plank.

But Mr Calvo is also quietly delighted that Banco Bilbao Vizcaya (BBV), the big domestic bank, is offering to buy 40 per cent of the company in order to bring it under its expanding food and distribution umbrella. The owner of 34 per cent of the Basque canning company Gaiavilla, the market leader in Spain, BBV has been courting the third-ranked Alfageme business for nearly four years and Mr Calvo says an

agreement is possible "if the price is right".

Alfageme is well established and the dozens of tinned fish products that it sells, almost exclusively to the domestic market under its Mian brand name, keep it comfortably profitable on a Pta10.5bn (\$81.7m) turnover. But the canning business is changing fast, particularly in Galicia where it has always been centred.

Twenty years ago there were 400 canning businesses in Galicia. Now there are about 150 and that could be halved again in the near future. Mr Calvo says that the top four canning concerns in Spain, three of which are headquartered in Galicia, control less than 40 per cent of the market and that the logic is that they should share a quota of nearer 80 per cent.

The upheaval is due to the enormous strength of the big distributors and the hypermarkets who now impose tough conditions on suppliers and consequently squeeze margins to the point of sending the smaller firms out of business.

Galicia's canning companies have tradition and skilled know-how and all the fish they need on their doorstep. But they must either evolve towards the gourmet sector with higher value products, join forces to take on the mass market or close down.

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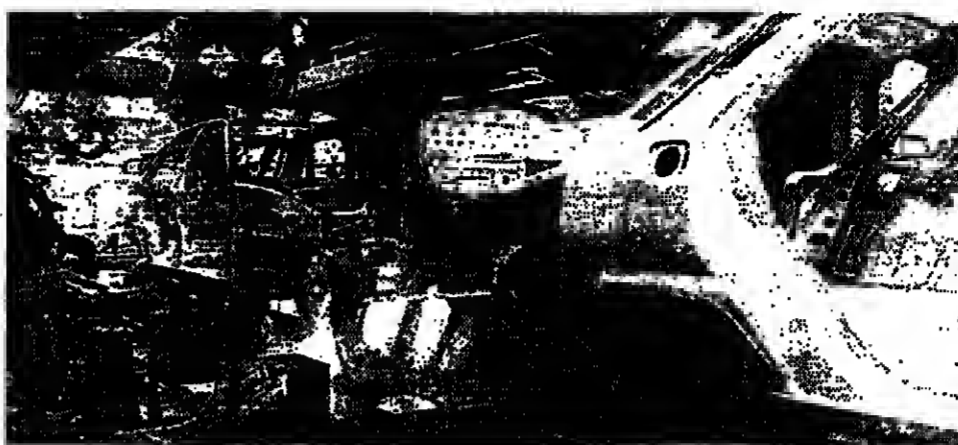
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Car industry's progress fails to offset gloom over the fishing industry, says Tom Burns

Biggest employer is all at sea



The Citroën factory in Vigo: one of the bright spots on the industrial landscape

Galicia is beginning to look like a mining area in which the mineral seams are close to exhaustion. The Greenland halibut.

coast of Namibia in an ejection that caused 45 Vigo deep sea trawlers to be either sold or broken up for scrap. The Citroën plant, which

Declining fish stocks are starting to make Galicia look like a province whose main natural resource has been worked out

which is fished mostly by Galician trawlers close to Canada's territorial waters and is exported to Japan, had become one of the trawler fleet's chief products after it was excluded from the tuna grounds off

raised its production last year by 35 per cent to a record 282,000 units, 72 per cent of which were exported, is in contrast set to grow.

Mr Couceiro is currently negotiating incentives with

Citroën and with the Madrid administration that will pave the way for new investments of Pta17.6 (\$140m) over the next four years.

Unlike the troubled SEAT subsidiary in Barcelona of the Volkswagen group, Citroën Hispania's plant, which dates back to the early 1960s, is a success story, not least because it enjoys enviable labour relations. "Citroën is very competitive here," says a senior Vigo official. "It has no complexes about being part of a foreign group and there isn't the slightest risk of any cut backs."

WHERE THE JOBS HAVE GONE (000s)

	1988	1989	1990	1991	1992	1993	1994*
Farming, fishing	408	383	337	306	282	284	288
Industry	150	155	157	158	160	142	138
Construction	87	95	92	104	98	89	89
Services	396	413	443	445	434	433	429
TOTAL	1,042	1,044	1,029	1,013	974	940	919

Source: Junta de Galicia *Trio three quarters only

HOW GALICIAN PER CAPITA INCOME COMPARES

	% of Spanish average	% of EU average
1990	82.14	63.83
1991	81.57	65.85
1992	81.05	65.26
1993	84.02	66.88

Source: Fundación FIES

The success has created increasing talk of using Citroën as the prime mover in a "cluster" of industrial businesses, principally serving the auto industry, in the Vigo area. Mr Couceiro's department is at present identifying groups that could be lured into an enlarged manufacturing network based on the main car plant and its component suppliers.

The "cluster" strategy involves the close co-operation of industrial units and services with a nearby main producer. Less advanced, but also under study, are proposals to create an additional two "clusters" in

the vicinity of Vigo, one concentrated on fishing with Pescanova as the prime mover, and the other built around the granite sector that uses Vigo as its main export outlet.

The long shadows cast over the fishing industry may put the second cluster on hold while an enlarged and integrated granite industry is at best a mid-term prospect. The Junta is investing strongly in granite research to upgrade technology but Mr Couceiro concedes that "we cannot overnight move from producing primary products to having a transformation industry."

GALICIA moves forward

15 GREAT SITES

November 1994

The rural telephone network completes its coverage of the whole of Galicia.

Despite the complicated lie of the land and the numerous centres of population, all the citizens of Galicia have a phone at hand.

See it will become one single city

XUNTA DE GALICIA

GOVERNMENT OF GALICIA

MINISTERIO DE ECONOMÍA Y HACIENDA

GALICIA IV

Tourist authority targets the thinking visitor, writes Tom Burns

A place for pilgrims

Most regional government officials in Galicia are run off their feet in order to keep up with Mr Manuel Fraga, the Xunta's remarkably energetic president. Mr Francisco García-Bobadilla, Galicia's secretary-general for tourism, feels the pace as much as any of his other colleagues.

Famous as an all-rounder, Mr Fraga is an acknowledged expert on tourism promotion. In the 1960s, as General Franco's minister of information and tourism, he coined the slogan "Spain is different" and brought package tourists to the Costa by the million.

It is ironic that an older but scarcely more mellow Mr Fraga should have established his ultimate political base in an area that has escaped the charter flight invasion. A foreigner who prefers to meet the natives rather than other foreigners when on holiday in Spain would be well advised to plan on a vacation in Galicia for Mr Fraga's homeland has for generations been favoured by Spaniards for their family holidays.

Mr Francisco García-Bobadilla, whose family used to run a small hotel in rural Galicia, knows perfectly well that his brief is to drum up business. Tourism in Galicia represents only 4.2 per cent of the region's

GDP - less than half the national average - and that is not the sort of statistic that Mr Fraga is satisfied with.

Mr Francisco García-Bobadilla's department has accordingly put a high priority on improving existing facilities in a bid for quality tourism. The effort to raise standards has included a training centre, funded by the Xunta and organised by Lausanne's Ecole Hôtelière, which opened

Businesses are being encouraged to organise a host of activities from pot-holing to rafting

in Santiago last year. In a second development that is also a far cry from the high density, tower block resorts that Mr Fraga promoted 30 years ago, the regional authority is sponsoring an away-from-it-all bed and breakfast network. Mr Francisco García-Bobadilla prefers visitors to come with a guide book and trekking boots rather than a bucket and spade.

Galicia's holiday product comes under the broad headline of green tourism. The Xunta has recently given its seal of approval to 80 bed and breakfast establishments, ranging from manor houses to

farm houses, which are now listed in its Turgalicia booking service and the plan is to bring the total number up to 500 over the next five years.

This strategy has the important additional effect of restoring the old buildings of rural Galicia. The Xunta pays up to 50 per cent of the refurbishing costs of homes on condition that they remain open 11 months a year for the ensuing 15 years to bed and breakfast guests.

Turgalicia regulates the services and standards of these establishments, provides a free booking service and guarantees the payment of reservations made through the service.

Taking a leaf from Mr Fraga's book, Mr Francisco García-Bobadilla has single-mindedly encouraged dozens of small businesses to organise a host of activities from pot-holing to rafting, under Turgalicia's umbrella, in some of the wildest terrain in western Europe.

As the strategy matures, the regional authority is likely to bring in as many green tourists as it wants. Galicia has after all been attracting trekkers for centuries - ever since the first pilgrims started walking to the shrine of Santiago de Compostela more than 1,000 years ago.



The cathedral and town centre of Santiago de Compostela: a shrine for pilgrims for more than 1,000 years

Tom Burns explores the strong regional connections with northern Portugal

Where cross border trading flourishes

The tensions that often bedevil relations between Lisbon and Madrid tend to dissolve in the soft Celtic heritage that is shared by north Portugal and Galicia. Seen from Oporto and from Vigo, two bustling industrial cities 150 kms from each other, cross-border trading is a welcome fact of life.

Lisbon has traditionally viewed Madrid as being overbearing to the point of being predatory in its approach to Portugal but attitudes are markedly different in the northwest of the Peninsula.

"The Portuguese look differently on the Galicians," says Mr Francisco López Peña, chief executive of the Port of Vigo authority. "The language affinity is very important and there is a strong, mutual empathy between the two communities."

"Everyone around here goes several times a year to Portugal," says Mr Gustavo Luca de Tena, an editor at A Nossa Terra, a Vigo-based magazine and book publisher. "We spend weekends there and the Portuguese come here on shopping sprees."

Portuguese acquisitiveness goes well beyond Vigo's big retail stores. Two years ago the big, partially-privatised Cimentos de Portugal (Cimpor) industrial group bought Corporación Noroeste, Galicia's largest cement producer, and last month Caixa Geral de Depósitos (CGD), the leading financial group in Portugal, bought Banco Simeón, a banking network with 60 branches that is concentrated in southern Galicia, from Argentina, Spain's state-controlled banking corporation.

Cimpor's 1993 purchase gets high marks from Galicia's

regional authorities for it has been followed up by the opening of two new production centres one of which, located near Lugo, manufactures large blocks for big bridge building projects. "Cimpor is investing and creating jobs," says Mr

José Antonio Orza, the Xunta's economy minister.

CGD's acquisition in contrast has unsettled Galicia's government and in particular, Caixa Galicia, the region's main savings bank which had made a late, and unsuccessful

bid for the Simeón network.

"Argentaria is a publicly-controlled group and Simeón is virtually 100 per cent a Galician business and we were not informed of the disposal plans," says Mr Orza. The Xunta, and especially Caixa Galicia's ambitious chief executive Mr José Luis Méndez, had wanted the Argentaria subsidiary to end up within the savings bank orbit as part of a general move to build up a dominant financial institution.

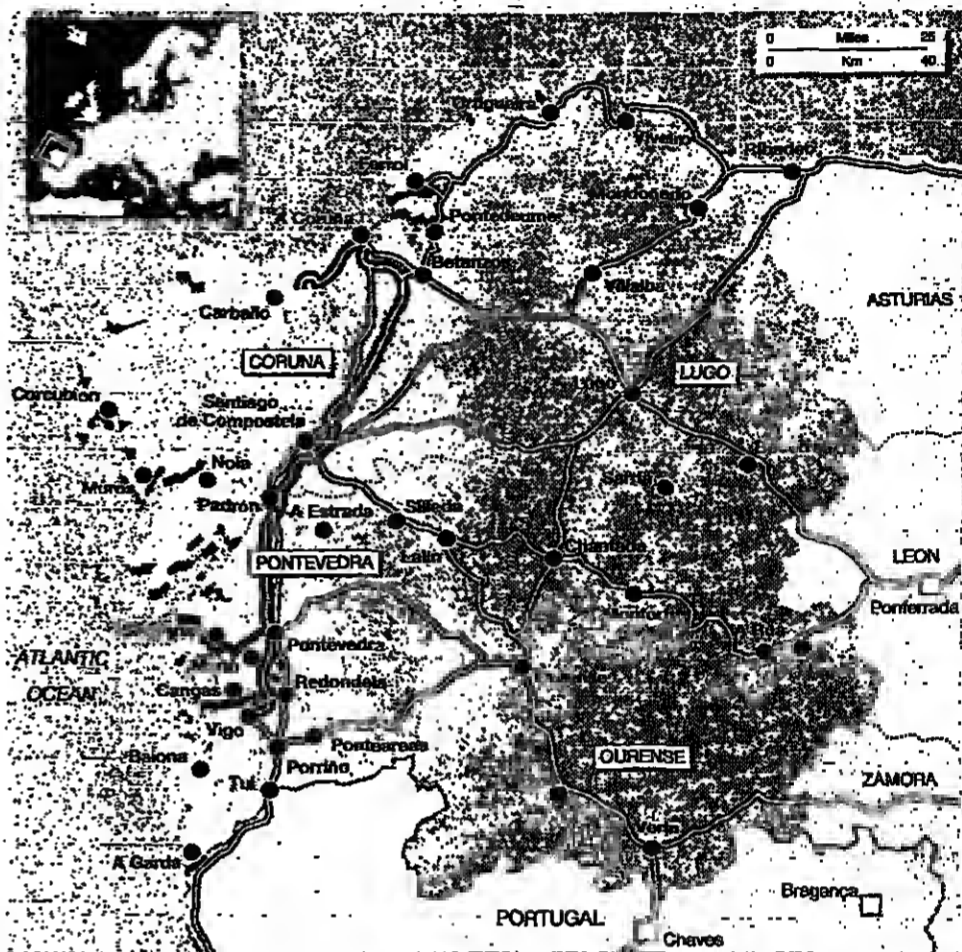
In protest at Simeón's sale to Portuguese interests, the mayor of A Coruña announced that he was closing down the city's accounts in Argentaria.

In contrast, CGD's takeover has won plaudits in Vigo where the cross-border culture is well entrenched. The acquisition was privately praised by directors of Caixa de Vigo, the local savings bank which is fearful of the Caixa Galicia's growth, and, much to the irritation of the Xunta, publicly endorsed by Vigo's mayor. Vigo boldly

styles itself as the industrial hub of an arc that embraces southern Galicia and north Portugal and the presence of Portugal's largest banking group in the Vigo vicinity further fuels the town's wider ambitions.

The cross-border economic mix is likely to grow in the light engineering industries and particularly in the automotive components sector. The low cost base for unskilled labour in Portugal, together with a scarce and expensive skilled work force, complements the labour market in the Vigo area where the trend has long been towards greater specialisation.

The ports of Vigo and Oporto both stand to gain by sharing their respective container freight businesses. Vigo is seeking to re-route its container traffic to the US and the Far East from Bilbao and Barcelona to Oporto. Already the sixth largest container port in Spain, it is expecting to build up its own capacity with increased trade from Portugal.



INFRASTRUCTURE

A lot of loose ends

neglect which has left Galicia geographically and economically isolated. But, in spite of heavy investment and vehement lobbying, the battle is not yet won.

The roads are probably the most symbolic aspect of this regional predicament. Spain's new network of motorway-standard state highways, or autovías, stops half way from Madrid to Galicia's main towns. The remaining 300km are hard driving. Two autovías branches are promised, one to the north through Lugo to Coruña, the other south through Ourense to Vigo.

They were due to be ready for next year, but the completion date is now in some doubt because of cuts in central government spending, which principally affect public works. Contracts have been placed for most of the 640km to be built, but not all.

The new roads will not only give the region an outlet but also connect the backward rural interior with the richer and more populous coastal region. The coastal motorway will in turn connect with the Portuguese motorway running north from Lisbon.

Ecologist groups oppose the Pta444bn project because of its potential impact on wildlife, including one of western Europe's last remaining wolf populations. But there can be no doubt that most Galicians would be outraged if they failed to materialise.

With railways, the situation is worse. Galicia has a network of just over 1,000km, but services are notoriously slow and infrequent, the equipment run-down and obsolete. The state company Renfe has been cutting back on loss-making local lines. In stark contrast to the new high-speed trains connecting Madrid with Andalucía, railways here are a constant gripe.

Big investment programmes have tackled other outstanding infrastructure needs, bringing Galicia up to date, notably in rural electrification and telephone services, the latter a marked personal triumph for Mr Manuel Fraga, the regional president. A Pta65bn programme agreed with the telecommunications group Telefónica in 1992, partly financed by the Xunta, has brought some 100,000 new lines, meet-

ing demand in the dispersed villages and hamlets throughout the interior and increasing the proportion of digital lines. The region also claims to have the best television and radio signal coverage in Spain.

The main towns and industrial areas are meanwhile due to be connected to the natural gas supply network by the end of next year.

Galicia's five big ports come under central government auspices, but the Xunta is seeking to transfer administrative responsibility.

One of Galicia's most ambitious programmes involves a proliferation of business parks, of which some 96 were envisaged at the beginning of the decade, when Spain was still enjoying something of an economic boom. The Xunta is now rethinking this plan, although its industry chief Mr Antonio Couceiro says he remains "a defender of the spirit of the programme".

Some of the projects have come in for criticism. A new Technology Park outside Ourense, designed to attract

investment with a high R&D content, has earned the nickname "Technology Parking Lot". Eyebrows have also been

raised by the siting of a business park at the small interior town of Lalin, which happens to be the political home base of Mr Xosé Cuíña, now head of the Xunta's territorial administration and public works department and a candidate for the succession as regional president.

David White

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COMMODITIES AND AGRICULTURE

Platinum prices surge to fresh 4½-year highs

By Kenneth Gooding, Mining Correspondent

Platinum prices reached fresh 4½-year peaks yesterday, as the precious metals revival, sparked by last week's cut in Germany's Bundesbank discount rates, continued.

In London, platinum closed yesterday at US\$442 a troy ounce, adding \$7.75 to last week's \$17.75 increase.

Analysts suggested technical factors were driving precious metals prices up and dealers said some Japanese buying of platinum was seen yesterday. It was also pointed out that platinum, now more of an

industrial metal than a precious one, was likely to benefit from a potentially expansionary round of interest rate cuts in the industrialised countries they fought to bring stability to the US dollar.

In its recent interim report on the market, Johnson Matthey, the world's biggest platinum group metals trading organisation, suggested that platinum demand last year rose by 7 per cent to a new peak of 4.32m ounces, driven up by the requirements of producers of anti-pollution car exhaust catalysts and jewellery manufacturers.

JM said that Russia,

the world's second biggest producer after South Africa, was taking advantage of the strong demand and its sales were likely to have jumped by 17 per cent from the 1988 level to about 800,000 ounces. Russia could sustain these levels of exports only by drawing in from its stocks, JM insisted.

Gold's price, which last week increased by \$9.75 a troy ounce after Thursday's Bundesbank rate change, was virtually unchanged from Friday and closed in London at \$391.90. Silver gained another 3 cents an ounce to close at \$5.285.

Zimbabwe set to become second-biggest producer

By Kenneth Gooding

The way is now clear for Zimbabwe to become the world's second largest producer of platinum following deals between three of the world's biggest mining companies, Broken Hill Proprietary, Anglo American Corporation of South Africa, and the RTZ Corporation.

BHP, the diversified metals and energy group that is Australia's biggest company, now controls all of the so-called Great Dyke in Zimbabwe, which is geologically similar to the Bushveld Complex in South Africa, the world's largest repository of platinum group metals.

The Australian group's decision to go ahead with the US\$225m development of the Hartley platinum mine on the

Great Dyke, was announced with great fanfare last August. BHP owns 67 per cent of the Hartley project and Delta Gold, an Australian company, has the rest.

BHP is now also acquiring most of the Mhondoro joint venture, adjacent to Hartley on the Great Dyke. Delta owns 24 per cent of Mhondoro and its partners were Anglo American, South Africa's biggest group, and RTZ Zimbabwe, a local company 56 per cent owned by RTZ, the world's biggest mining group. Anglo sold its 38 per cent stake to RTZ last year for an undisclosed sum. BHP has now agreed to pay US\$19m for that holding and a further \$19m for the 38 per cent owned by RTZ Zimbabwe.

Mr Peter Vanderspuy, Delta's chairman, who has long dreamed about merging the

Great Dyke platinum properties, believes the region could support annual output of 600,000 troy ounces of platinum, or about 12 per cent of global output. However, this would necessarily be staged over a 10- to 15-year period.

Hartley alone will produce about 150,000 ounces a year when in full production in 1997, adding about 3 per cent to world supply.

Mr Lee Clifford, the RTZ executive director responsible for mining, said his group was selling the Mhondoro stake because "there is scope for only one major development there". Mr Gillespie Robertson, BHP's senior vice president, Africa, Middle East and Europe, said Mhondoro was being acquired "with a view to the long-term development of the Hartley project".

Bigger world cotton crop forecast next season

Global cotton production in 1995-96 is projected at 19.22m tonnes, compared with 18.33m

in 1994-95, the International Cotton Advisory Committee says, reports Reuters from

Washington. Demand for 1995-96 is pegged at 19.2m tonnes, up from 18.63m.

Global copper supply deficit 'nearly over'

By Kenneth Gooding

Growth in copper consumption in countries outside the former eastern bloc is likely to be between 2.5 and 3 per cent in 1995 and next year. And with refined copper production now growing at 6 to 7 per cent annually, "the supply deficit is nearly over", according to the Bloomsbury Minerals Economics consultancy organisation.

The steep fall in copper stocks may have only one more quarter to run, says Mr Peter Hollands in Bloomsbury's Copper Briefing Service newsletter.

He warns, however, that stocks in warehouses of the London and New York metal exchanges will fall sharply in the second quarter of 1995, probably to between 150,000 and 175,000 tonnes. "In the short term - until early June - London Metal Exchange prices seem unlikely to fall below the recent flow of \$1.27-\$1.28 a pound, but very likely to head back towards the high level seen in January. New York Commodity Exchange stocks are so low that US prices could become very volatile over the next few months."

Producers are likely to take advantage of price rallies and

sell forward as "this may be their last chance to lock in high prices."

Bloomsbury suggests prices will weaken appreciably on both exchanges from late June to September.

Some of the high-cost Japanese copper smelters, which account for 15 per cent of world smelting capacity, may be forced to close because of the global glut of sulphuric acid, the CRU International consultancy organisation suggests today.

At present the Japanese smelters enjoy sulphuric acid credits worth about 4 cents per pound of copper, equivalent to

30 per cent of operating costs. But import restrictions that have kept sulphuric acid prices in Japan artificially high are likely to come under pressure, says CRU. "This will add to the squeeze on domestic smelters' revenues at the same time as the duties of refined copper imported into Japan are reduced following the completion of the Uruguay Round trade agreement. High cost smelters could, therefore, be forced to close and, if they want to stay in business, Japanese smelter companies will have to consider moving their operations off-shore."

CRU suggests that, in less-in-

dustrialised parts of the world, surplus sulphuric acid is less of a problem. In Chile, for example, not enough acid is produced to satisfy rising requirements from plants treating mined copper using hydrometallurgical processes.

Copper Briefing Service, £185 or US\$295 for three months, from Bloomsbury Minerals Economics, 70 Marchmont Street, London WC1N 1AB, UK. "Copper Smelter and Refinery Costs," and "The five-year outlook for Sulphuric Acid," £9,200 and £3,500 respectively from CRU, 31 Mount Pleasant, London WC1X 0AD, UK.

World Bank and UN back pest management plan

By Geoff Tansey

A \$1m effort to reduce pesticide use was launched last week after the World Bank approved a \$500,000 contribution. The integrated pest management facility will receive a further \$500,000 from the UN's Food and Agriculture Organisation as well as support from the UN Development Fund and UN Environment Programme in its first year.

The facility will fund projects to support low-chemical use and participatory approaches to pest management with the aim of cutting excessive and costly pesticide use, which poses a threat both to human health and to the environment.

Integrated pest management encourages natural predators and makes use of resistant varieties and crop rotation, backed by carefully timed, selective spraying of pesticides. Chemical pesticides are still used, but less often and in smaller amounts.

Farmers need to be well trained and to receive plenty of technical and policy support to use IPM according to the World Bank.

"Although we've had some breakthroughs with integrated pest management, such as on rice in Asia, the realisation of 12M programmes at the farmer level has been too slow," says Mr Ismail Serageldin, the bank's vice president for environmentally sustainable devel-

opment. "This facility will effectively draw on local, national and international expertise, knowledge and resources to get the quick response we need to promote sustainable agriculture in the poorest countries."

The facility goes part of the way to meeting the so-called Agenda 21 agreed at the Rio de Janeiro "Earth Summit" in 1992. That called for putting IPM practices within reach of farmers through farm networks, extension services and research institutions. A target date of 1999 was set for its achievement.

The facility has been designed in consultation with various non-government organisations, including the Calif-

ornia-based Pesticide Action Network and will involve non-governmental organisations active in the field.

Initially, funding will go to high priority, pilot projects where IPM based on ecological means of pest control is likely to produce immediate, substantial and quantifiable benefits. Current proposals include projects involving rice in Madagascar; vegetables in west Africa, Trinidad, Vietnam and Zimbabwe; and cotton in China.

In east Africa, fungicides and insecticides are often over-used on vegetables and occasionally fruit crops grown under near coffee. By using non-formal education methods with farmers in IPM this over-use

can be cut and lead to better pest management in the coffee cash crop as well. One project will promote this change to IPM and will involve non-governmental organisations operating at village level, such as the Kenya Institute of Organic Farming, which has experience in participatory training methods.

The facility will focus on field-based action but will be supported on the research front by the 16 international centres supported by the Consultative Group on International Agricultural Research, of which Mr Serageldin is also chairman. The centres are sponsoring an international network of institutions with interests in IPM research.

MARKET REPORT

Metals end on positive note

London Metal Exchange base metal markets ended on a positive note, although trading was fairly slow.

COPPER's cash premium over three months moved out threateningly above \$50 a tonne at one stage as the market positioned itself for key April traded option declarations tomorrow.

The TIN market was also underpinned by developing

supply tightness as the cash/ three months discount narrowed in to around \$35 from near \$50 last week.

At the London Commodity Exchange, COCOA futures prices were down around intraday lows at the close as arbitrage selling out earlier gains. The July position last traded down \$6 at \$95.1 a tonne after ranging from \$95.0 to \$95.5. Compiled from Reuters

Australians hope for coal deal

By Nikki Tait in Sydney

A fifth round of negotiations between the Australian coal companies and the Japanese supply mills over the 1995-96 supply contracts, began yesterday in Tokyo, with some very cautious optimism on the Australian side that a deal could be getting nearer.

The Australian suppliers are seeking a price rise of close to

US\$6 a tonne, which would equate to about a 12 per cent increase, while the Japanese are thought to have been reluctant to go above US\$4 a tonne.

The producers have argued that such an increase is warranted by better market conditions, and some increased settlement in Europe.

Contract negotiations between the Australians and

Japanese have led to successively lower prices for the past four years, and when the coal producers agreed to take another cut last year, angry miners imposed work stoppages in protest - leading on to a government-backed inquiry into the sector and its export performance. Coal is Australia's biggest export, with around 40 per cent going to Japan.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Anonymous Metal Trading)
ALUMINIUM 99.7% PURITY (\$ per tonne)

Close 1863-4 1872-3
Previous 1863-9 1872-3
High/Low 1862.5/1862 1867/1869
AM Official 1861-2 1870-1
Kerb close 1868-7 1898-7
Open int. 216.887
Total daily turnover 50.777

ALUMINIUM ALLOY (\$ per tonne)

Close 1825-35 1820-30
Previous 1835-45 1835-40
High/Low 1835-45 1835-40
AM Official 1825-35 1825-30
Kerb close 2.781 1820-3
Open int. 810
Total daily turnover 810

LEAD (\$ per tonne)

Close 594.5-6.5 605-6.5
Previous 590-1 605-6
High/Low 594-5 612/606
Kerb close 594-5 609-10
Open int. 35,225
Total daily turnover 2,780

NICKEL (\$ per tonne)

Close 7680-90 7715-20
Previous 7640-50 7770-80
High/Low 7655/7690 7807/7820
Kerb close 7685-90 7730-5
Open int. 53,776
Total daily turnover 12,004

ZINC (\$ per tonne)

Close 5795-905 5890-40
Previous 5745-55 5790-40
High/Low 5795-905 5890/5900
AM Official 5795-900 5835-40
Kerb close 5795-90 5870-70
Open int. 15,294
Total daily turnover 4,598

ZINC, special high grade (\$ per tonne)

Close 1037-9 1050-2
Previous 1036-7 1050/1055
High/Low 1036-5 1050-1
Kerb close 1036-5 1050-5
Open int. 96,982
Total daily turnover 13,298

COBALT, grade A (\$ per tonne)

Close 2289-9 2295-7
Previous 2284-5 2294-5
High/Low 2279/2278 2290/2291
AM Official 2279-8 2291-6
Kerb close 2282-7 2292-7
Open int. 226,245
Total daily turnover 51,691

LME AM Official \$/t rate: 1.6170

LME Closing \$/t rate: 1.6167

HIGH GRADE COPPER (COMEX)

Close 140.50 140.70 140.90 141.10
Previous 138.40 138.60 138.80 139.00
High/Low 138.40 138.60 138.80 139.00
AM Official 138.40 138.60 138.80 139.00
Kerb close 138.40 138.60 138.80 139.00
Open int. 12,400
Total daily turnover 4,240

CRUDE OIL NYMEX (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL IPE (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL WTI (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL WTI (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL WTI (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL WTI (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL WTI (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL WTI (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL WTI (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL WTI (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL WTI (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL WTI (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL WTI (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL WTI (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL WTI (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL WTI (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL WTI (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL WTI (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL WTI (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL WTI (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL WTI (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

CRUDE OIL WTI (\$/barrel)

Close 17.30 17.40 17.50 17.60
Previous 17.20 17.30 17.40 17.50
High/Low 17.20 17.30 17.40 17.50
AM Official 17.20 17.30 17.40 17.50
Kerb close 17.20 17.30 17.40 17.50
Open int. 17,300
Total daily turnover 17,300

Precious Metals continued

GOLD COMEX (100 Troy oz; \$/troy oz)

Close 362.7 363.5 364.3 365.1
Previous 362.7 363.5 364.3 365.1
High/Low 362.7 363.5

CURRENCIES AND MONEY

MARKETS REPORT

Federal Reserve intervenes to curb dollar decline

The Federal Reserve intervened actively on the foreign exchange market yesterday in an attempt to curb the continued fall of the dollar, writes Philip Gammell.

For the first time in six years, the Fed intervened in Tokyo during Asian trading, and it returned to the market in the New York morning. According to New York sources, the intervention was broad, rather than substantial. It had a negligible impact with the dollar continuing to trade at pre-intervention levels.

Monetary intervention was supplemented by a measure of verbal support for the dollar, with Mr Robert Rubin, the treasury secretary, saying intervention reflected concern over recent exchange rate movements. President Clinton also lent his support.

There was no evidence, however, of any central bank other than the Bank of Japan supporting the Fed in its efforts to stem the dollar's decline.

The dollar finished in London at DM1.3733, from DM1.3685 on Friday. Against the yen it closed at ¥86.19, from ¥86.4.

The Fed started to intervene about 30 minutes later, buying first at DM1.3730, and in three subsequent rounds of intervention. It bought dollars against the yen first at ¥86.10, and again at ¥86.35.

Market activity was fairly quiet elsewhere, with last week's cut in German interest rates serving to take some of the steam out of the D-Mark, especially against core European currencies. Against the weaker currencies, like the lira, it has stayed strong. It closed at L1.254.

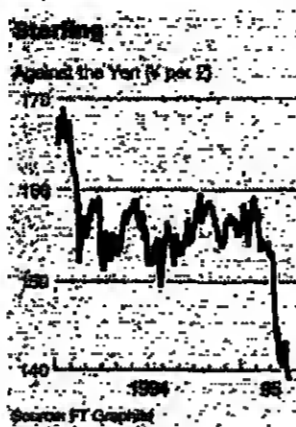
Sterling had a fairly subdued day, trading in the wake of the

dollar. It closed at DM2.2187, from DM2.229, and at \$1.6189, from \$1.6288.

If the market is unsure about the outlook for the dollar, then this is in no small part due to the slightly puzzling tactics adopted by the US authorities, on whose behalf the Fed intervenes. The combination of verbal and monetary intervention suggests the Treasury is concerned about the dollar, but its timing has been curious.

Intervention works best when it is directed in the same way the market is moving. On March 8, such an opportunity to support a dollar rally was spurned, as was a further opportunity last Thursday after the Bundesbank cut German interest rates.

And even within the context of yesterday's efforts, traders said the Fed would have been more successful had it intervened during European trading, instead of waiting until



these markets had closed.

Evidence for the market's uncertainty comes from the high level of options volatility, coupled with fairly low turnover in the spot market.

Mr Avinash Persaud, currency strategist at JP Morgan in London, said flows in the market were fairly modest, with little evidence of traders

or investors taking large positions. This testified to lack of conviction about the likely direction of the market.

Mr Adrian Cunningham, senior currency economist at UBS in London, said: "The market is being characterised by jobbing-type activity, with traders moving in and out of currencies very quickly, trying not to expose themselves." He said the market was dominated currently by interbank flows, with little activity from longer-term investors.

The Fed's intervention was characterised as being broad, rather than deep and intense. One US bank estimated that the Fed had spent about \$100m through its in New York, and was probably doing similar amounts with around ten banks.

Assuming that the Bank of Japan was intervening in similar amounts, it is possible to estimate that around \$200m may have been spent supporting the dollar.

Current support for the dollar has a distinctly bipolar, US-Japan, flavour. Only these two central banks have been buying the dollar, and the verbal intervention of the past few days has also been coming from these two quarters.

Mr Rubin's comments were supported by a midnight statement from Mr Masayoshi Takeuchi, the Japanese finance minister. He said Japan had decided "to show its strong determination to ensure currency market stability."

The Bank of England cleared a \$300m money market shortage at established rates. Three month LIBOR traded at 6 1/2 per cent, still below the 6 3/4 per cent base rate.

OTHER CURRENCIES

Apr 3
Austrian 181.77 181.82 181.80 181.78
Belgian 181.77 181.82 181.80 181.78
D-Mark 181.77 181.82 181.80 181.78
French 181.77 181.82 181.80 181.78
German 181.77 181.82 181.80 181.78
Italian 181.77 181.82 181.80 181.78
Japanese 181.77 181.82 181.80 181.78
Swiss 181.77 181.82 181.80 181.78
UK 181.77 181.82 181.80 181.78

POUND SPOT FORWARD AGAINST THE POUND

Apr 3	Closing mid-point	Change on previous	5-day high	5-day low	One month	Three months	One year	Bank of England
Apr 3	1.254	-0.001	1.254	1.254	1.254	1.254	1.254	1.254
Apr 3	1.254	-0.001	1.254	1.254	1.254	1.254	1.254	1.254
Apr 3	1.254	-0.001	1.254	1.254	1.254	1.254	1.254	1.254
Apr 3	1.254	-0.001	1.254	1.254	1.254	1.254	1.254	1.254

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 3	Closing mid-point	Change on previous	5-day high	5-day low	One month	Three months	One year	JP Morgan
Apr 3	1.6189	-0.0099	1.6189	1.6189	1.6189	1.6189	1.6189	1.6189
Apr 3	1.6189	-0.0099	1.6189	1.6189	1.6189	1.6189	1.6189	1.6189
Apr 3	1.6189	-0.0099	1.6189	1.6189	1.6189	1.6189	1.6189	1.6189
Apr 3	1.6189	-0.0099	1.6189	1.6189	1.6189	1.6189	1.6189	1.6189

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES	Apr 3	Change	5-day high	5-day low	One month	Three months	One year
Belgium (Bfr)	100	-0.002	100	100	100	100	100
Denmark (DKr)	100	-0.002	100	100	100	100	100
France (FFr)	100	-0.002	100	100	100	100	100
Germany (DM)	100	-0.002	100	100	100	100	100
Italy (Lit)	100	-0.002	100	100	100	100	100
Japan (Yen)	100	-0.002	100	100	100	100	100
Netherlands (Gld)	100	-0.002	100	100	100	100	100
Portugal (Esc)	100	-0.002	100	100	100	100	100
Spain (Pta)	100	-0.002	100	100	100	100	100
Sweden (Kron)	100	-0.002	100	100	100	100	100
Switzerland (Sfr)	100	-0.002	100	100	100	100	100
UK (Sterling)	100	-0.002	100	100	100	100	100

Source: Reuters, London. Figures are for the London market. All rates are for the London market. All rates are for the London market.

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EUROPEAN CURRENCY UNIT RATES

Apr 3	Change	5-day high	5-day low	One month	Three months	One year
Apr 3	1.6189	-0.0099	1.6189	1.6189	1.6189	1.6189
Apr 3	1.6189	-0.0099	1.6189	1.6189	1.6189	1.6189
Apr 3	1.6189	-0.0099	1.6189	1.6189	1.6189	1.6189
Apr 3	1.6189	-0.0099	1.6189	1.6189	1.6189	1.6189

Source: Reuters, London. Figures are for the London market. All rates are for the London market. All rates are for the London market.

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Series 2 USD 30,000,000

Interest Rate 5.500% p.a.

Interest Period March 30, 1995

September 23, 1995

Interest Amount due on

September 23, 1995 per

USD 500,000 USD 17,632.61

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INVESTMENT TRUSTS - Cont.

Flaming Bar Ridge	1,185	82
Warranda	13	20
Flaming Bar East	360	334
Flaming Bar	338	357
Flaming Flore	95	96
Flaming High Inc	95	97
Warranda	7	11
Flaming Indian	78	40
Warranda	217	226
Flaming Iron	100	112
Warranda	208	276
Flaming Iron	39	52
Flaming Natural Gas	39	52
Warranda	281	281
Flaming Gas	133	135
For & Bar Easy Mid	50	120
Warranda	40	61
Flaming Co Ltd	214	220

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AJB Fund Management Ltd	
Asian Gateway Fd plc	\$8,878
Asset Korea Fd Ltd	\$10,105
Dragon Korea	\$8,039
Emerging Market Growth Fd Plc	\$0,823
Korean Emerging Growth	\$10,216
Pacific 21st Century	\$8,561

Fund Managers (continued)				001 26217 7800
ICI Investment Services, Division 2				
Global High Yield Bond	1977-78	7.26%		
Global Income Bond	1977-78	7.26%		
Global Income Bond II	1977-78	7.26%		
Global Income Bond III	1977-78	7.26%		
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Global Income Bond XLII	1977-78	7.26%		
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Global Income Bond LI	1977-78	7.26%		
Global Income Bond LII	1977-78	7.26%		
Global Income Bond LIII	1977-78	7.26%		
Global Income Bond LIV	1977-78	7.26%		
Global Income Bond LV	1977-78	7.26%		
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Line	Unit	Amount	Balance	Page
1	100.00	100.00	100.00	1
2	100.00	200.00	200.00	2
3	100.00	300.00	300.00	3
4	100.00	400.00	400.00	4
5	100.00	500.00	500.00	5
6	100.00	600.00	600.00	6
7	100.00	700.00	700.00	7
8	100.00	800.00	800.00	8
9	100.00	900.00	900.00	9
10	100.00	1000.00	1000.00	10
11	100.00	1100.00	1100.00	11
12	100.00	1200.00	1200.00	12
13	100.00	1300.00	1300.00	13
14	100.00	1400.00	1400.00	14
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49	100.00	4900.00	4900.00	49
50	100.00	5000.00	5000.00	50
51	100.00	5100.00	5100.00	51
52	100.00	5200.00	5200.00	52
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55	100.00	5500.00	5500.00	55
56	100.00	5600.00	5600.00	56
57	100.00	5700.00	5700.00	57
58	100.00	5800.00	5800.00	58
59	100.00	5900.00	5900.00	59
60	100.00	6000.00	6000.00	60
61	100.00	6100.00	6100.00	61
62	100.00	6200.00	6200.00	62
63	100.00	6300.00	6300.00	63
64	100.00	6400.00	6400.00	64
65	100.00	6500.00	6500.00	65
66	100.00	6600.00	6600.00	66
67	100.00	6700.00	6700.00	

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OFFSHORE INSURANCES

LONDON STOCK EXCHANGE

MARKET REPORT

Shares close firmly but attract little business

By Terry Byland,
UK Stock Market Editor

The second quarter of the year got off to a somewhat cautious start in the London stock market yesterday, with currency uncertainty continuing to restrain investment activity. The Footsie 100 Index was unable to regain the 3,150 support level, in spite of clear indications that the Federal Reserve had intervened to support the US currency.

The dollar's fortunes dominated trading, even before the London market reopened after the weekend. The 5 per cent fall in Tokyo stocks overnight increased tensions, as investors looked for the Federal

Reserve to repeat in European markets the support it had apparently given to the dollar in the Far East. At the close, the FT-SE 100 Share Index stood at 3,143.1, well below the best of the day but showing a gain of 5.2 on the session.

Share prices opened lower in London, with domestic political uncertainty also a factor ahead of the local elections, which begin in Scotland this week.

But the day of 8 points on the Footsie in early trading came on the back of extremely low volume. The big institutions, having mostly made good profits towards the end of the year's first quarter, appeared to be concentrating on holding on

to them; there was no willingness to part with stock. The stock market soon rallied, led by stock index futures and by an increasingly firm performance from the government bond sector. Little attention was paid to news that M0 money supply had risen by an annual 7.8 per cent in March.

The Footsie moved up steadily for a while, only to fall prey to currency concerns as the US dollar fell to another low against the yen. But signs of further Fed intervention in currencies gave shares a new lease of life towards the close.

The FT-SE Mid 250 Index, less closely involved with currency markets, held firm to close 2.8 up at

3,437.6. This appeared to support the view of market strategists that the UK market was still supported on fundamental valuation arguments, particularly by the strong dividend flow.

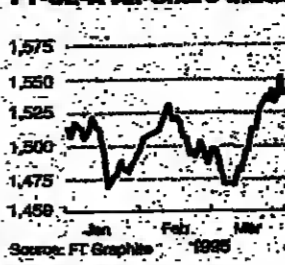
But the true picture of the session was disclosed by the woefully thin Seat total of only 434,200 shares traded, compared with not far short of 700m on Friday, the last day of the first quarter.

A break-down of the Seat total showed even more clearly how poor business had been among the market's blue chip stocks. Trading in non-Footsie listed issues made up more than 60 per cent of the day's total, well above more recent daily

averages. Against this backdrop, strategists were hesitant about reading too much into the market's performance. The international dollar-oriented stocks mostly closed firmer but little interest was shown in the domestic interest-related issues.

The renewed bout of intervention in support of the US dollar by the Federal Reserve is expected to heighten confidence in the blue chip sectors but market traders have been noticeably unwilling to believe that currency intervention alone can reverse currency trends. London stock market investors will watch for Eastern currency markets closely overnight.

FT-SE A ALL-SHARE INDEX



Indices and ratios

FT-SE 100	3143.1	+5.2
FT-SE Mid 250	3437.6	+2.8
FT-SE-A 350	1560.6	+2.2
FT-SE-A All-Share	1540.1	+1.7
FT-SE-A All-Share yield	4.10	(4.11)

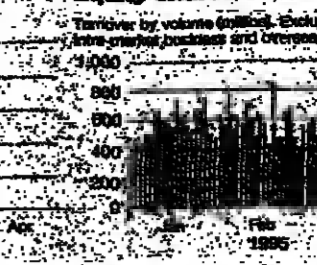
Best performing sectors

1. Diversified Inds	+1.4
2. Pharmaceuticals	+0.8
3. Retailers, Food	+0.6
4. Water	+0.5

Worst performing sectors

1. Spices, Wines & Cds	-1.0
2. Tobacco	-0.8
3. Banks, Merchant	-0.8
4. Media	-0.6
5. Insurance	-0.5

Equity Shares Traded



Turnover by volume (million)

1. Diversified Inds	1.0
2. Pharmaceuticals	0.8
3. Retailers, Food	0.6
4. Water	0.5

FT-SE 100 INDEX FUTURES (Liffe) 25¢ per full index point

Jan	3150.0	+13.0
Feb	3150.0	+13.0
Mar	3150.0	+13.0
Apr	3150.0	+13.0

FT-SE MID 250 INDEX FUTURES (Liffe) 10¢ per full index point

Jan	3450.0	+1.0
Feb	3450.0	+1.0
Mar	3450.0	+1.0
Apr	3450.0	+1.0

FT-SE 100 INDEX OPTION (Liffe) 0.25¢ per full index point

Jan	3150.0	+1.0
Feb	3150.0	+1.0
Mar	3150.0	+1.0
Apr	3150.0	+1.0

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Glaxo firm on US move

Positive fundamental news gave a lift to Glaxo, shortly to become the world's biggest pharmaceutical company. It offered a self-recommendation from one leading securities house and the shares gained 5 to 7 1/2p.

Glaxo announced it had received an "approvable" letter from the US Food and Drug Administration for the tablet version of its Imtrex anti-migraine treatment.

The long-awaited letter, seen as clearing up a couple of minor details before final approval is granted, could herald a significant boost for Glaxo. Mr Paul Woodhouse of Smith New Court believes sales of Imtrex tablets might boost current US turnover of £175m by as much as £500m over the next two or three years.

However, it is unlikely that analysts will be adjusting forecasts as most are awaiting details of the rationalisation that will follow Glaxo's takeover of Wellcome.

After the market closed, there was an announcement that legal action challenging the validity of Glaxo's Form 2 Zantac patent in Germany by Ratiopharm, a German generics company, had been withdrawn. Glaxo shares have risen more than 100p since the end of January and UBS was saying that it was time to switch holdings into SmithKline Bee-

cham SmithKline, hard hit by profit-taking over the past week, responded to the UBS comment and the A shares bounced 5 to 483p.

C&W strong

Another outstanding showing from Cable & Wireless saw the shares take second position in the FT-SE 100 performance league, with the stock price climbing 7 more to 386p after higher than usual turnover of 5.4m.

Along with its UK telecoms competitors, C & W delivered new subscriber figures for Mercury One-2-One, its joint venture with US West. Dealers said the 55,000 new customers were in line with analysts forecasts.

But the real driving force behind the latest rise in the share price came from renewed speculation that a potential buyer of the company could be waiting in the wings.

A report in the UK press at the weekend had suggested that AT & T of the US could be considering taking a substantial stake in Mercury. C & W's telecoms division.

Some analysts insist that C & W is one of the few viable takeover targets among the world's telecoms group. "It's simply not big enough to compete with the big boys," said one telecoms analyst. "On a sum of the parts valuation, the company is worth 600p a share."

He pointed out that probably the only country in which a deal involving a bid for a telecoms giant could be carried out would be the UK. Veba, the German industrial holding company, bought a 10.5 per

cent stake in C & W earlier this year.

Vodafone busy

A spate of new connection figures from the UK's cellular telephone companies triggered plenty of switching and general activity in the sector with Vodafone once again emerging as the most favoured.

Vodafone shares edged up 2 to 300 1/2p, on heavy turnover of 8.6m, after the group revealed first quarter gross connections of 310,000 and net new connections of over 180,000, confirming its number one spot in the cellular phones business in the UK.

The figures were at the top end of the range of analysts' forecasts and helped dispel some of the recent worries in the market, which have focused on a high and growing "churn" rate in the sector.

Some analysts remained cautious on the stock and Vodafone's growth potential: "much of the growth is coming from lower user subscribers, which means smaller profits," said one telecoms specialist.

Cellnet, the joint venture between BT and the Securitor group, also announced good rises in its subscriber base, rising by over 173,000. BT shares edged up a penny to 390p, while Securitor "A" shares edged up to 525p.

Several television stocks jumped on a press report that the government is to bring forward a parliamentary bill in the next session to set the framework for regulating digital television and related issues such as cross-media ownership. The market hopes that rules, preventing newspaper publishers holding more than 20 per cent of commercial television and radio stations, may be relaxed under the new legislation.

Yorkshire gained 27 to 437p, Scottish 21 to 458p and Ulster 20 to 688p.

Market talk that a number of downgrades in Commercial Union, the composite insurer, are in the pipeline, triggered some sensible selling pressure in the shares, with additional weakness prompted by aggressive buying by one broker of the 500p puts in the options market.

Royal Bank of Scotland dipped 4 to 402p after a broker recommendation to switch out of the stock and into either Abbey National, up 1 1/2 to 472p, or Barclays, 629p.

SG Warburg dropped 12 to 705p after a big block of shares was bought at 697p and quickly sold into the market at 700p.

Kleinwort Benson, long viewed as one of the market's most likely takeover targets and where a bid from Dresdner is still seen as on the cards, dropped 20 to 627p.

Press reports suggesting that Charles Schwab, the US brokerage, will bid around 230p a share for the company very soon, saw ShareLink Investment Services close 12 ahead at 217p.

Govat, the investment management group, jumped 26 to 285p, as the market reacted to news that the group has received bids for its fund management businesses in London and San Francisco.

Smith & Nephew was steady at 168p after saying it had acquired Basel, an Italian bandage and dressings company, for £3m including assumed debt.

Zeneca lifted 5 to 875p. Its agrochemicals unit said it was developing plans to invest £30m to £40m in a new herbicide plant at its site at Huddersfield.

Courtaulds Textiles gained 10 to 473p after announcing it had sold its UK lingerie business, Contessa (Ladieswear), to Facia, a UK retail group which

bought Salisbury stores from UK jewellery retailer Signet last year. Contessa had operating capital of £5m, as at March 31 1995.

Laporte, the specialty chemicals company, eased 3 to 674p after it announced the acquisition of Magpie, a pigments manufacturer based in St Louis, Missouri for \$44m.

Shares in high street retailer Boots gave up 4 1/2 to 504 1/2p in trade of 2.7m, after ABN Amro-Hoare Govett advised investors to sell the stock.

Shares in Highland Distilleries, the whisky producer, tumbled 26 to 357p, as brokers downgraded profits, expectations, following a disappointing set of interim figures.

Allied Domecq improved 9 to 538p.

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INDICES										US INDICES									
	Apr 3	Mar 31	Mar 30	High	Low		Apr 3	Mar 31	Mar 30	High	Low		Mar 31	Mar 30	Mar 29	High	Low	Open	Settlement
Argentina (12/1977)	101	1358.11	1409.88	1693.10	21	083.09	94					Japan	1250.61	1397.88	1315.45	1409.88	21	1281.87	2493
Brazil (12/1977)	60											2nd Session (4/1/88)	1250.61	1397.88	1315.45	1409.88	21	1281.87	2493
Canada (12/1977)	190.5	1905.8	1894.6	1921.30	17/8	1925.38	92					Malaysia	909.31	904.07	976.95	995.34	17/2	904.07	2411
Chile (12/1977)	250.5	250.5	250.5	250.5	250.5	250.5	92					KLSE Comp (4/1/88)	909.31	904.07	976.95	995.34	17/2	904.07	2411
Colombia (12/1977)	250.5	250.5	250.5	250.5	250.5	250.5	92					Malaysia	909.31	904.07	976.95	995.34	17/2	904.07	2411
Cuba (12/1977)	250.5	250.5	250.5	250.5	250.5	250.5	92					PC (Nov 1978)	909.31	904.07	976.95	995.34	17/2	904.07	2411
Czech Rep (12/1977)	250.5	250.5	250.5	250.5	250.5	250.5	92					North Holland	909.31	904.07	976.95	995.34	17/2	904.07	2411
Denmark (12/1977)	250.5	250.5	250.5	250.5	250.5	250.5	92					OSCE (12/1977)	909.31	904.07	976.95	995.34	17/2	904.07	2411
France (12/1977)	250.5	250.5	250.5	250.5	250.5	250.5	92					OSCE (12/1977)	909.31	904.07	976.95	995.34	17/2	904.07	2411
Germany (12/1977)	250.5	250.5	250.5	250.5	250.5	250.5	92					OSCE (12/1977)	909.31	904.07	976.95	995.34	17/2	904.07	2411
Greece (12/1977)	250.5	250.5	250.5	250.5	250.5	250.5	92					OSCE (12/1977)	909.31	904.07	976.95	995.34	17/2	904.07	2411
Hong Kong (12/1977)	250.5	250.5	250.5	250.5	250.5	250.5	92					OSCE (12/1977)	909.31	904.07	976.95	995.34	17/2	904.07	2411
India (12/1977)	250.5	250.5	250.5	250.5	250.5	250.5	92					OSCE (12/1977)	909.31	904.07	976.95	995.34	17/2	904.07	2411
Indonesia (12/1977)	250.5	250.5	250.5	250.5	250.5	250.5	92					OSCE (12/1977)	909.31	904.07	976.95	995.34	17/2	904.07	2411
Italy (12/1977)	250.5	250.5	250.5	250.5	250.5	250.5	92					OSCE (12/1977)	909.31	904.07	976.95	995.34	17/2	904.07	2411
Japan (12/1977)	250.5	250.5	250.5	250.5	250.5	250.5	92					OSCE (12/1977)	909.31	904.07	976.95	995.34	17/2	904.07	2411
Korea (12/1977)	250.5	250.5	250.5	250.5	250.5	250.5	92					OSCE (12/1977)	909.31	904.07	976.95	995.34	17/2	904.07	2411
Malaysia (12/1977)	250.5	250.5	250.5	250.5	250.5	250.5	92					OSCE (12/1977)	909.31	904.07	976.95	995.34	17/2	904.07	2411
Mexico (12/1977)	250.5	250.5	250.5	250.5	250.5	250.5	92					OSCE (12/1977)	909.31	904.07	976.95	995.34	17/2	904.07	2411
Netherlands (12/1977)	250.5	250.5	250.5	250.5	250.5	250.5	92					OSCE (12/1977)	909.31	904.07	976.95	995.3			

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"Privilege cut my Mercedes insurance by £193."

Mr P.A. aged 37, Hertfordshire. M reg Mercedes C180. Renewal Premium £509. Privilege Premium £316.

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STOCKS			CLOSING PRICES			CHANGES ON DAY			STOCKS TRADED			CLOSING PRICES			CHANGES ON DAY		
Nippon Steel	5.5m	-15	Fudo Const	785	3.5m	Mitsubishi Hyv	3.0m	1580	-3								
Saitama Const	4.0m	+2	Nomura Seco	3.0m	1580	-3											
Hitchi	4.7m	850	Tosoh	4.0m	1330	-3											
Tosoh	4.2m	405	Mitsubishi Sls	2.8m	904	-3											
Tsubabe	4.7m	582															

NASDAQ NATIONAL MARKET

A run close April

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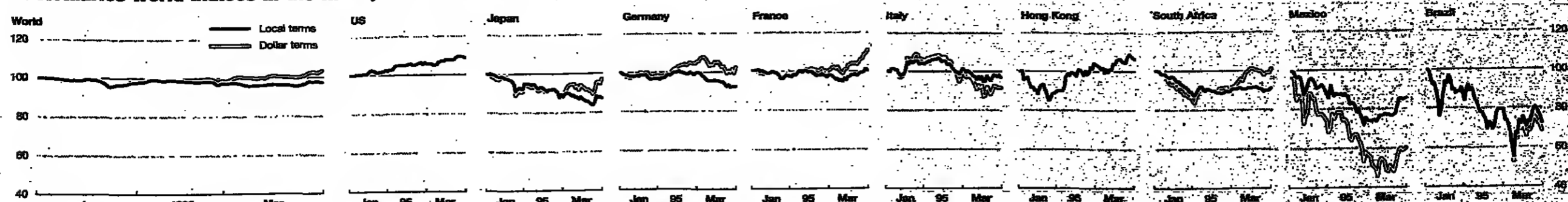
25	+	Toyota Co	0.23	171.00	46%	5%	51%	-
25	+	Transair	33	8073	6%	5%	6+	+
25	+	TransWorld	6	47	5	4%	4%	+
25	+	Traveler	1.12	13	120	42%	4%	41%
25	+	Travelco	40	107	31%	3%	33%	+
25	+	Trimble	35	441	19%	15%	19	+
25	+	TrustcoB&C	1.10	13	256	20%	14%	19%
25	+	Trust Loan	0.30	123	182	6%	6%	6%
25	+	Tyrola	0.0467	22.28	24%	24%	23%	-
- U -								
20	+	US Helcor	1.00	181.00	44%	4%	43%	-
20	+	Unifair	33	4738	5%	5%	5%	-
20	+	Unifabusa	1.02	15	183	18	15%	15%
20	+	US Tel	2.00	232	117	16%	16%	16%
20	+	United St	1.45	15	233	17%	15%	17%
20	+	Unifong	1.00	18	218	17%	17%	17%
20	+	Unimark	2.00	10	124	43%	4%	43%
20	+	US Energy	1.00	181	85	7%	26	26%
20	+	US Energy	6	181	85	6%	6%	6%
20	+	UST Corp	1.12	40	57	10%	10%	10%
20	+	Utah Med	1.4	500	85	8%	8%	8%
20	+	Utah Tele	0.88	17	182	6%	6%	6%
20	+	Utah Tele	28	15	3%	26%	25%	-
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20	+	Vermont	0.30	14	64	28%	20%	20%
20	+	Vingrad Cal	95	278	22%	22%	22%	+
20	+	Viretome	00	482	24%	24%	24%	+

Financial Times. World Business Newspaper

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Financial Times. World Business Newspaper

FT-Actuaries World Indices in the first quarter of 1995



AMERICA

Share prices buffeted by opposing forces

Wall Street

US equities were mixed yesterday morning as Treasury bond prices rose, but the dollar failed to gain ground in spite of intervention by the Federal Reserve to support the beleaguered currency, writes Lisa Branstetter in New York.

By 1pm the Dow Jones Industrial Average was 5.88 higher at 4,163.57, while the Standard & Poor's 500 was off 0.15 at 500.58. The American Stock Exchange composite rose 0.11 at 464.52, and the Nasdaq composite was off 3.71 at 613.50. Trading volume on the NYSE came to 156m shares.

Prices were buffeted by opposing forces: data from the National Association of Purchasing Management reinforced the notion that the economy was slowing without another round of monetary tightening from the Federal Reserve, but the Fed was unsuccessful in its effort to lift the currency off a new post-War low against the Japanese yen.

The economic data helped the bond market to gain, but prices fell off their session highs after it became apparent

that the Fed would not be successful in shoring up the value of the dollar.

In individual shares, E-Systems rocketed \$184 to \$633 after Raytheon announced that it would buy the defence company for \$64 a share or \$2.3bn. Raytheon shares fell 4% at \$72K.

Wellpoint Health Networks dropped 1% at \$33 after the health care services company agreed to a merger with Health Systems International, down 4% at \$33K.

Continental Medical jumped 3% at \$114, while Horizon Healthcare shed \$4 at \$32K after the two companies announced that they would merge in a deal valued at \$502m.

Morrison Knudsen added 14.6 per cent with its shares rising \$4 at \$67, after the engineering, construction and rail company named a former vice-chairman of Chrysler for the post of chairman.

Canada

Toronto was unsettled at midday by the volatility of the US dollar and uncertainty about the direction of other markets. The TSX-300 index was down

38.89 at 4,286.72 by noon in volume of 20.8m shares. All 14 sub-indices posted moderate to heavy losses by midday. Consumer products sank 152.66 to 6,816.54 as Seagram dropped 0.81% to \$24.2K after the company declined comment on reports that it planned to sell back its 24 per cent stake in Du Pont.

Latin America

BRAZILIAN equities continued to weaken as investors remained wary regarding the future direction of economic policy following a statement by the president, Mr Fernando Henrique Cardoso, at the weekend. The Bovespa index was down 841 or 2.8 per cent at 29,948 by mid-session.

Last week tariffs on a number of imported goods were raised, but Mr Cardoso held out the possibility in a week-end statement that the tariffs could be reduced in the near future. There were worries that bank reserve requirements could be tightened.

MEXICO moved cautiously higher, the IPC index up 10.18 at 1,843.01 by midday, and in ARGENTINA the Merval index improved 1.16 to 383.62.

EUROPE

Continental bourses gain new champion

Continental bourses gained a new champion yesterday in Mr Albert Edwards, global strategist at Kleinwort Benson, whose latest weekly raised its continental European weighting from 4 per cent to 16 per cent, writes Our Markets Staff.

Mr Edwards believes that the bear market in continental European bonds is largely over; that earnings visibility has been good, and that moderate prospective p/e's now seem attainable; that European equities are a very good hedge against an outright US recession; and that last week's discount rate cut by the Bundesbank will have an effect on the D-Mark - "perhaps not against the US, but certainly against the yen".

PARIS found little to cheer about; there was some disappointment that the Bank of France did not cut interest rates in response to last week's action by the Bundesbank. However, there was a general consensus that the bank might yet make a move at its monetary council meeting on Thursday. Much would depend, brokers said, on the level of the franc against the D-Mark over the next few days.

The CAC-40 index improved 4.52 to 1,864.00, having touched a high of 1,872 during the day. JP Morgan Securities in London raised the French market to overweight following the Buba cut, and argued that the market demonstrated good fundamentals which included low inflation, solid growth and low valuation.

Alcatel Alsthom put on FF14.60 to FF49.00 ahead of tomorrow's 1994 results, which are expected to reveal a substantial downturn in profits from their 1993 level.

DM20 to DM527 following a drop of DM28 last Friday.

Meanwhile, the banking season continued with an 8 per cent decline in net profits from Bayernwerk, mild after Friday's 20 per cent drop at Dresdner Bank, which fell DM19.80 on Bayernwerk's rights issue news last Friday, recovered nearly half of their losses at DM395, up DM9.

FRANKFURT seemed to be in tactical, rather than strategic mode. Turnover fell yet again, this time from DM5.8bn to DM4.7bn as the Dax index rose though a session close of 1,930.82 to an all-time high of 1,934.96, up 20.27.

The key index moved with firmer Dax futures prices, suggesting short covering after Friday's 36-point fall. Individual gains, too, were most obvious in the recently weak chemicals and carmakers, BASF rising DM5.30 to DM251.80, Volkswagen DM9.70 to DM368.60 after last week's better than expected 1994 earnings, and Henkel recovering

FT-SE Actuaries Share Indices

Apr 3	Apr 4	Apr 5	Apr 6	Apr 7	Apr 8	Apr 9	Apr 10	Apr 11	Apr 12	Apr 13	Apr 14	Apr 15	Apr 16	Apr 17	Apr 18	Apr 19	Apr 20	Apr 21	Apr 22	Apr 23	Apr 24	Apr 25	Apr 26	Apr 27	Apr 28	Apr 29	Apr 30	May 1	May 2	May 3	May 4	May 5	May 6	May 7	May 8	May 9	May 10	May 11	May 12	May 13	May 14	May 15	May 16	May 17	May 18	May 19	May 20	May 21	May 22	May 23	May 24	May 25	May 26	May 27	May 28	May 29	May 30	May 31	Jun 1	Jun 2	Jun 3	Jun 4	Jun 5	Jun 6	Jun 7	Jun 8	Jun 9	Jun 10	Jun 11	Jun 12	Jun 13	Jun 14	Jun 15	Jun 16	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23	Jun 24	Jun 25	Jun 26	Jun 27	Jun 28	Jun 29	Jun 30	Jul 1	Jul 2	Jul 3	Jul 4	Jul 5	Jul 6	Jul 7	Jul 8	Jul 9	Jul 10	Jul 11	Jul 12	Jul 13	Jul 14	Jul 15	Jul 16	Jul 17	Jul 18	Jul 19	Jul 20	Jul 21	Jul 22	Jul 23	Jul 24	Jul 25	Jul 26	Jul 27	Jul 28	Jul 29	Jul 30	Jul 31	Aug 1	Aug 2	Aug 3	Aug 4	Aug 5	Aug 6	Aug 7	Aug 8	Aug 9	Aug 10	Aug 11	Aug 12	Aug 13	Aug 14	Aug 15	Aug 16	Aug 17	Aug 18	Aug 19	Aug 20	Aug 21	Aug 22	Aug 23	Aug 24	Aug 25	Aug 26	Aug 27	Aug 28	Aug 29	Aug 30	Aug 31	Sep 1	Sep 2	Sep 3	Sep 4	Sep 5	Sep 6	Sep 7	Sep 8	Sep 9	Sep 10	Sep 11	Sep 12	Sep 13	Sep 14	Sep 15	Sep 16	Sep 17	Sep 18	Sep 19	Sep 20	Sep 21	Sep 22	Sep 23	Sep 24	Sep 25	Sep 26	Sep 27	Sep 28	Sep 29	Sep 30	Sep 31	Oct 1	Oct 2	Oct 3	Oct 4	Oct 5	Oct 6	Oct 7	Oct 8	Oct 9	Oct 10	Oct 11	Oct 12	Oct 13	Oct 14	Oct 15	Oct 16	Oct 17	Oct 18	Oct 19	Oct 20	Oct 21	Oct 22	Oct 23	Oct 24	Oct 25	Oct 26	Oct 27	Oct 28	Oct 29	Oct 30	Oct 31	Nov 1	Nov 2	Nov 3	Nov 4	Nov 5	Nov 6	Nov 7	Nov 8	Nov 9	Nov 10	Nov 11	Nov 12	Nov 13	Nov 14	Nov 15	Nov 16	Nov 17	Nov 18	Nov 19	Nov 20	Nov 21	Nov 22	Nov 23	Nov 24	Nov 25	Nov 26	Nov 27	Nov 28	Nov 29	Nov 30	Dec 1	Dec 2	Dec 3	Dec 4	Dec 5	Dec 6	Dec 7	Dec 8	Dec 9	Dec 10	Dec 11	Dec 12	Dec 13	Dec 14	Dec 15	Dec 16	Dec 17	Dec 18	Dec 19	Dec 20	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	Dec 26	Dec 27	Dec 28	Dec 29	Dec 30	Dec 31																																																																																																																																																																																																																																																																																																																																																				
FT-SE 100	1245.88	1245.75	1245.94	1247.89	1249.70	1250.94	1249.81	1252.06	1251.67	1254.81	1255.42	1257.09	1255.95	1259.16	1257.87	1262.10	1261.30	1264.38	1263.27	1266.27	1265.07	1268.45	1267.45	1270.88	1269.88	1273.31	1272.31	1275.74	1274.74	1278.17	1277.17	1280.60	1279.60	1283.03	1282.03	1285.46	1284.46	1287.89	1286.89	1290.32	1289.32	1292.75	1291.75	1295.18	1294.18	1297.61	1296.61	1300.04	1299.04	1302.47	1301.47	1304.90	1303.90	1307.33	1306.33	1309.76	1308.76	1312.19	1311.19	1314.62	1313.62	1317.05	1316.05	1319.48	1318.48	1321.91	1320.91	1323.34	1322.34	1324.77	1323.77	1326.20	1325.20	1327.63	1326.63	1329.06	1328.06	1330.49	1329.49	1331.92	1330.92	1332.35	1331.35	1332.78	1331.78	1333.21	1332.21	1333.64	1332.64	1334.07	1333.07	1334.50	1333.50	1334.93	1333.93	1335.36	1334.36	1335.79	1334.79	1336.22	1335.22	1336.65	1335.65	1337.08	1336.08	1337.51	1336.51	1337.94	1336.94	1338.37	1337.37	1338.80	1337.80	1339.23	1338.23	1339.66	1338.66	1340.09	1339.09	1340.52	1339.52	1340.95	1339.95	1341.38	1340.38	1341.81	1340.81	1342.24	1341.24	1342.67	1341.67	1343.10	1342.10	1343.53	1342.53	1343.96	1342.96	1344.39	1343.39	1344.82	1343.82	1345.25	1344.25	1345.68	1344.68	1346.11	1345.11	1346.54	1345.54	1346.97	1345.97	1347.40	1346.40	1347.83	1346.83	1348.26	1347.26	1348.69	1347.69	1349.12	1348.12	1349.55	1348.55	1349.98	1348.98	1350.41	1349.41	1350.84	1349.84	1351.27	1350.27	1351.70	1350.70	1352.13	1351.13	1352.56	1351.56	1352.99	1351.99	1353.42	1352.42	1353.85	1352.85	1354.28	1353.28	1354.71	1353.71	1355.14	1354.14	1355.57	1354.57	1356.00	1355.00	1356.43	1355.43	1356.86	1355.86	1357.29	1356.29	1357.72	1356.72	1358.15	1357.15	1358.58	1357.58	1359.01	1358.01	1359.44	1358.44	1359.87	1358.87	1360.30	1359.30	1360.73	1359.73	1361.16	1360.16	1361.59	1360.59	1362.02	1361.02	1362.45	1361.45	1362.88	1361.88	1363.31	1362.31	1363.74	1362.74	1364.17	1363.17	1364.60	1363.60	1365.03	1364.03	1365.46	1364.46	1365.89	1364.89	1366.32	1365.32	1366.75	1365.75	1367.18	1366.18	1367.61	1366.61	1368.04	1367.04	1368.47	1367.47	1368.90	1367.90	1369.33	1368.33	1369.76	1368.76	1370.19	1369.19	1370.62	1369.62	1371.05	1370.05	1371.48	1370.48	1371.91	1370.91	1372.34	1371.34	1372.77	1371.77	1373.20	1372.20	1373.63	1372.63	1374.06	1373.06	1374.49	1373.49	1374.92	1373.92	1375.35	1374.35	1375.78	1374.78	1376.21	1375.21	1376.64	1375.64	1377.07	1376.07	1377.50	1376.50	1377.93	1376.93	1378.36	1377.36	1378.79	1377.79	1379.22	1378.22	1379.65	1378.65	1380.08	1379.08	1380.51	1379.51	1380.94	1379.94	1381.37	1380.37	1381.80	1380.80	1382.23	1381.23	1382.66	1381.66	1383.09	1382.09	1383.52	1382.52	1383.95	1382.95	1384.38	1383.38	1384.81	1383.81	1385.24	1384.24	1385.67	1384.67	1386.10	1385.10	1386.53	1385.53	1386.96	1385.96	1387.39	1386.39	1387.82	1386.82	1388.25	1387.25	1388.68	1387.68	1389.11	1388.11	1389.54	1388.54	1389.97	1388.97	1390.40	1389.40	1390.83	1389.83	1391.26	1390.26	1391.69	1390.69	1392.12	1391.12	1392.55	1391.55	1392.98	1391.98	1393.41	1392.41	1393.84	1392.84	1394.27	1393.27	1394.70	1393.70	1395.13	1394.13	1395.56	1394.56	1395.99	1394.99	1396.42	1395.42	1396.85	1395.85	1397.28	1396.28	1397.71	1396.71	1398.14	1397.14	1398.57	1397.57	1399.00	1398.00	1399.43	1398.43	1399.86	1398.86	1400.29	1399.29	1400.72	1399.72	1401.15	1399.65	1401.58	1399.58	1402.01	1399.51	1402.44	1399.44	1402.87	1399.37	1403.30	1399.30	1403.73	1399.23	1404.16	1399.16	1404.59	1399.06	1405.02	1398.96	1405.45	1398.86	1405.88	1398.76	1406.31	1398.66	1406.74	1398.56	1407.17	1398.46	1407.60	1398.36	1408.03	1398.26	1408.46	1398.16	1408.89	1398.06	1409.32	1397.96	1409.75	1397.86	1410.18	1397.76	1410.61	1397.66	1411.04	1397.56	1411.47	1397.46	1411.90	1397.36	1412.33	1397.26	1412.76	1397.16	1413.19	1397.06	1413.62	1396.96	1414.05	1396.86	1414.48	1396.76	1414.91	1396.66	1415.34	1396.56	1415.77	1396.46	1416.20	1396.36	1416.63	1396.26	1417.06	1396.16	1417.49	1396.06	1417.92	1395.96	1418.35	1395.86	1418.78	1395.76	1419.21	1395.66	1419.64	1395.56	1420.07	1395.46	1420.50	1395.36	1420.93	1395.26	1421.36	1395.16	1421.79	1395.06	1422.22	1394.96	1422.65	1394.86	1423.08	1394.76	1423.51	1394.66	1423.94	1394.56	1424.37	1394.46	1424.80	1394.36	1425.23	1394.26	1425.66	1394.16	1426.09	1394.06	1426.52	1393.96	1426.95	1393.86	1427.38	1393.76	1427.81	1393.66	1428.24	1393.56	1428.67	1393.46	1429.10	1393.36	1429.53	1393.26	1429.96	1393.16	1430.39	1393.06	1430.82	1392.96	1431.25	1392.86	1431.68	1392.76	1432.11	1392.66	1432.54	1392.56	1432.97	1392.46	1433.40	1392.36	1433.83	1392.26	1434.26	1392.16	1434.69	1392.06	1435.12	1391.96	1435.55	1391.86	1435.98	1391.76	1436.41	1391.66	1436.84	1391.56	1437.27	1391.46	1437.70	1391.36	1438.13	1391.26	1438.56	1391.16	1438.99	1391.06	1439.42	1390.96	1439.85	1390.86	1440.28	1390.76	1440.71	1390.66	1441.14	1390.56	1441.57	1390.46	1442.00	1390.36	1442.43	1390.26	1442.86	1390.16	1443.29	1390.06	1443.72	1389.96	1444.15	1389.86	1444.58	1389.76	1445.01	1389.66	1445.44	1389.56	1445.87	1389.46	1446.30	1389.36</